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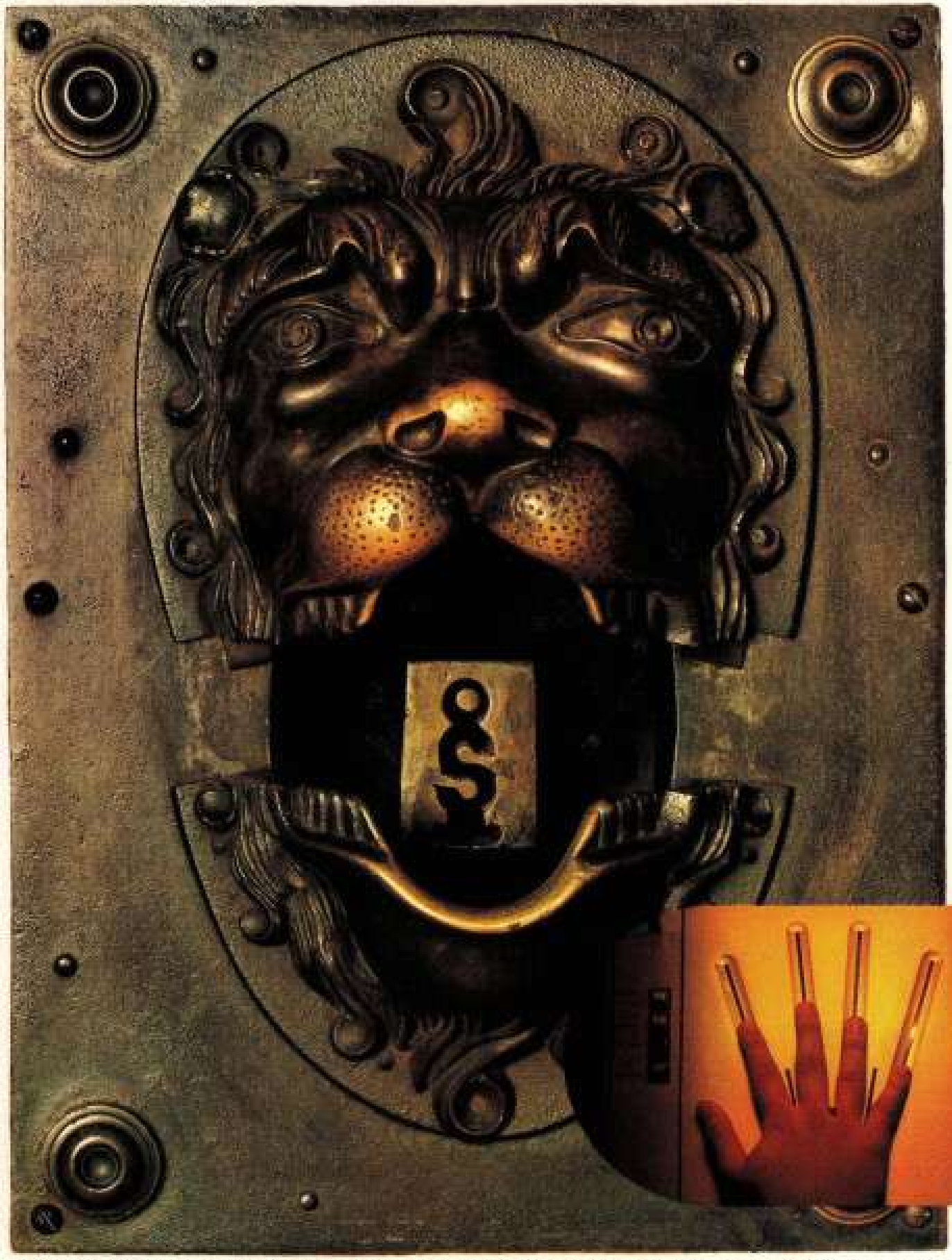
HongkongBank 1982



ANNUAL REPORT OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

The Hongkong and Shanghai Banking Corporation
1 Queen's Road Central, Hong Kong

Ordinary Yearly General Meeting

Notice is hereby given that the Ordinary Yearly General Meeting of the shareholders of the Bank will be held in the City Hall, Hong Kong, at 2.30 p.m. on Tuesday 10 May 1983 to transact the following ordinary business:

1 to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors for the year ended 31 December 1982 and to declare a final dividend;

2 to elect Directors; and

3 to appoint Auditors and fix their remuneration

and to consider and (if thought fit) pass the following Ordinary Resolutions by way of special business:

4 That:

(a) it is desirable to capitalise the sum of HK$519,975,857 from the reserves of the Bank and that accordingly the said sum be capitalised and applied in payment in full for 207,990,343 unissued shares of the Bank of HK$2.50 each;

(b) such new shares, credited as paid-up, be distributed among the shareholders who on 10 May 1983 were registered shareholders of the Bank in the proportion of one new share for every ten shares then held by them respectively;

(c) such new shares shall in all respects rank *pari passu* with the existing shares of the Bank, except that they shall not rank for dividends for the year ended 31 December 1982; and

(d) the Board be and is hereby authorised to allot and issue such new shares for distribution in the manner and proportion aforesaid, but so that shares representing fractions shall be sold and the net proceeds retained for the benefit of the Bank.

5 That a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional shares not exceeding three *per cent* of the issued share capital of the Bank.

By Order of the Board
F R Frame, *Secretary*

Hong Kong, 8 March 1983

Registrars

Central Registration Hong Kong Limited
Hopewell Centre, 17th Floor Mezzanine
183 Queen's Road East, Hong Kong.

HK 4510 C J 0518 - 0014 - 0001

The Hongkong and Shanghai Banking Corporation
Annual Report 1982

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SECURITY is virtually synonymous with banking and thus an appropriate theme for this year's Report. The concept is explored in our essay while the illustrations present its visual manifestations. Traditional implements from many of the regions served by the Bank are contrasted with "state of the art" technology shown in the insets. *Design*: Henry Steiner, Graphic Communication Ltd, Hong Kong.

The Hongkong and Shanghai Banking Corporation
Incorporated in Hong Kong with limited liability

Capital authorised
HK$8,000,000,000

Capital issued and fully paid
HK$5,200,000,000

Reserve Fund
HK$6,342,000,000

Board of Directors
M G R Sandberg, CBE, *Chairman*
Sir Yue-Kong Pao, CBE, *Deputy Chairman*
P E Hammond, *Deputy Chairman*
Sir John Archer, KCB, OBE
T J Bedford, MBE
D R Y Bluck
E W Duffy
L S Dunn, OBE
J F Holmes
R W Hubner
Hui Sai Fun
Q W Lee, CBE
Li Ka-shing
J L Marden, CBE
R V Munden
D K Newbigging, OBE
A R Petrie, CBE
J R Petty
W Purves, DSO
N S Thompson, CBE
T Welsh

London Advisory Committee
T Welsh, *Chairman*
Sir John Addis, KCMG
Sir Geoffrey Arthur, KCMG
G A Calver
Lord Denman, CBE, MC, TD
H P Foxon, OBE
Sir Donald Hawley, KCMG, MBE
H N L Keswick
P F H Mason, OBE
Sir John Saunders, CBE, DSO, MC
G M Sayer, CBE
J A Swire, CBE
Viscount Weir
Sir Philip de Zulueta

General Managers
B Asher
R H L Bacon
R W Campbell
R C Farrell
P Fletcher
F R Frame
J Paton
P J Wrangham

Legal Adviser and Secretary
F R Frame

Statement to shareholders by the Chairman, Mr M G R Sandberg

Results for 1982

This time last year I warned that we could not expect the same percentage increase in profits to continue but nevertheless I am pleased to report that despite difficult conditions in 1982 the Group reported solid growth with profits of HK$2,357 million, an increase of just over 11% compared with 1981.

The profit is arrived at after transfers to inner reserves and we have provided for contingencies which might arise from trading conditions or problems connected with the downturn in the Hong Kong property market.

At the Ordinary Yearly General Meeting a final dividend of 37 cents will be recommended.

To conform with generally accepted international accounting practice the results of major associated companies have been included in the profit on an equity basis. This is a change in accounting policy from 1981, when the results of these companies were dealt with in the Group accounts on a dividend received basis. 1981 figures have also been restated in accordance with this new policy.

We are again this year recommending a bonus issue at the Ordinary Yearly General Meeting. This will be on the basis of one new share for every ten held. If this is approved it will be accomplished by the capitalisation of HK$519,975,857 from reserves, of which HK$260,000,000 will be charged to the Share Premium Account and HK$259,975,857 to the Reserve Fund. If that recommendation is approved, the Reserve Fund will be restored by a transfer from inner reserves.

As already announced your Board expects to be able to declare a dividend for 1983 at least the same as that for 1982, that is not less than 55 cents per share as increased by the bonus issue recommended above.

General

1982 will be memorable as one of the most testing years in recent history for the international financial and economic systems.

It would be realistic to express only guarded hope that 1983 will produce a major upturn in world trade, although since the turn of the year there are signs that the American economy may be at last pulling out of recession.

It is nonetheless encouraging to note that we have not seen the collapses which pessimists were forecasting during the middle of 1982. It says much for the basic strength of the financial system, and its capacity to handle problems, that the prophets of doom have, as so often, been confounded. This is not to disguise the scale of the issues continuing to affect the banking system which reflects the state of world trade and industry.

Events have tended to obscure some of the underlying improvements which are the necessary precondition for industrial recovery. The levelling-off of inflation rates and declining oil prices will undoubtedly have a beneficial effect. Ironically the reduction in oil prices which has been regarded as such a key factor in the return of economic growth has brought its own problems, not least in the area of sovereign risk.

The Asia-Pacific region continued to demonstrate its ability to sustain real economic growth. Though the regional average of 2.4% real growth was appreciably lower than that of the previous year it nevertheless represents a solid achievement in comparison with the negative growth recorded elsewhere. Asia-Pacific is as vulnerable as any other region to the weakness of the world's economy and shared all the existing problems with its competitors while still maintaining its competitive edge. This leads one to believe that the region should be among the first to gain real benefit from the eventual improvement in world trading conditions.

Hong Kong reflected the testing pattern of the year, as well as being affected by additional problems of particular concern. During the year the global recession, the downturn in the local property market, and the consideration of the 1997 issue coincided and interacted to depress the economy, particularly in the final quarter.

The issue of the expiry of the lease on the New Territories in 1997 has already received, and will continue to receive, close attention internationally and locally. Although negotiations may well be

protracted we are obviously encouraged by the common aim expressed by the Governments of The United Kingdom and The People's Republic of China to maintain the stability and prosperity of Hong Kong.

We have confidence that Hong Kong's stature as a major regional and international financial centre will not be diminished and that it will continue to play its role in providing funding and expertise for the wider development of the Asia-Pacific region. Uncertainty is inevitable for some time but should be balanced against the fact that a vigorous and creative community of nearly five and a half million people must and will continue to contribute positively over the coming decades. Your bank intends to play its part in that contribution as actively as it has in the past, and the level of our investment in Hong Kong is testimony to this.

Commercial Banking

Our operations in Hong Kong not only faced increasing competition but also the problems of a depressed economic scene especially in the real estate sector.

The Bank produced during the year a number of initiatives intended to provide wider forms of funding for sectors of the economy currently under pressure.

Liaison with The People's Republic of China via our Area Office China was strengthened during the year with the opening of a Representative Office in Shenzhen, the Special Economic Zone adjacent to Hong Kong.

Construction of our new headquarters at One Queen's Road Central is proceeding slightly behind schedule. Shareholders may have read some speculation on the likely cost of the project. We have encountered a very serious and unexpected overrun in the contracts for the cost and erection of the steel. The increase will certainly be not less than HK$500 million.

The construction cost of the basic building at 1980 prices, excluding the special costs of a banking operation, was estimated at approximately HK$1.4 billion which inflation was expected to take to HK$2.5 billion by completion at the end of 1985. All other contracts so far let (and these comprise nearly 80% of the building) are either on or below budget, and as the inflation rates originally estimated have proved remarkably accurate, the total basic construction cost will rise to over HK$3 billion.

The flexible design of the basic building, which will have an inbuilt capacity for potential expansion of 30%, has allowed consideration of the many features required for our banking and headquarters operations to be planned in orderly sequence. Much work remains to be done during this planning process and each feature is being examined strictly on a value for money basis by a Board Committee, with decisions being taken accordingly.

Our new Headquarters will be equipped to meet the technological and economic challenges of the future and we believe that over the years it will prove to be a most cost-effective investment.

The Review of Operations within this Report gives details of the progress of the main operating entities within the Group. However, I must mention the following points of note.

The Hang Seng Bank celebrated its 50th Anniversary in March 1983. Over this half century the affairs of the Hang Seng Bank have been presided over by its founder and Chairman, Dr S H Ho. Although Dr Ho has stepped down from the Chairmanship he has accepted the appointment of Honorary Chairman of the bank which will thus continue to benefit from his counsel. We are very pleased that Mr Q W Lee, Chief Executive over many years, has agreed to take on the Chairmanship.

Our relationship with Marine Midland Bank continues to develop and our partnership has become a source of real strength for both banks.

Marine Midland's successful course over the last ten years has been piloted by Mr E W Duffy. He has decided to step down from the Chairmanship but we are very glad that he has agreed to continue to serve as a Director of Marine Midland and also on our own Board. We are fortunate that Mr Petty, who has been President for seven years, has accepted the appointment as Chairman of the Board of Marine Midland.

I must make special mention of the fortitude of our staff in the Lebanon during the year. I visited Beirut in February this year and was glad to be able to pay tribute to them at that time.

From January 1983 the branches of Mercantile Bank Limited in India and Japan are operating under the HongkongBank name.

HongkongBank opened full branches in Pakistan and Chile during the year, and a representative office in Taiwan. Our joint venture in Egypt, Hongkong Egyptian Bank SAE, became fully operational at the end of the year.

In Malaysia we announced our willingness to co-operate with Bank Negara in the implementation of the New Economic Policy, and we are now well-advanced in planning for the eventual localisation of our operations.

Shareholders may have read of the problems that faced our Jersey operation relating to two bonds issued by Signal Life Assurance Company Ltd of which our Jersey Trustee Company was Trustee. Legal proceedings were begun by the

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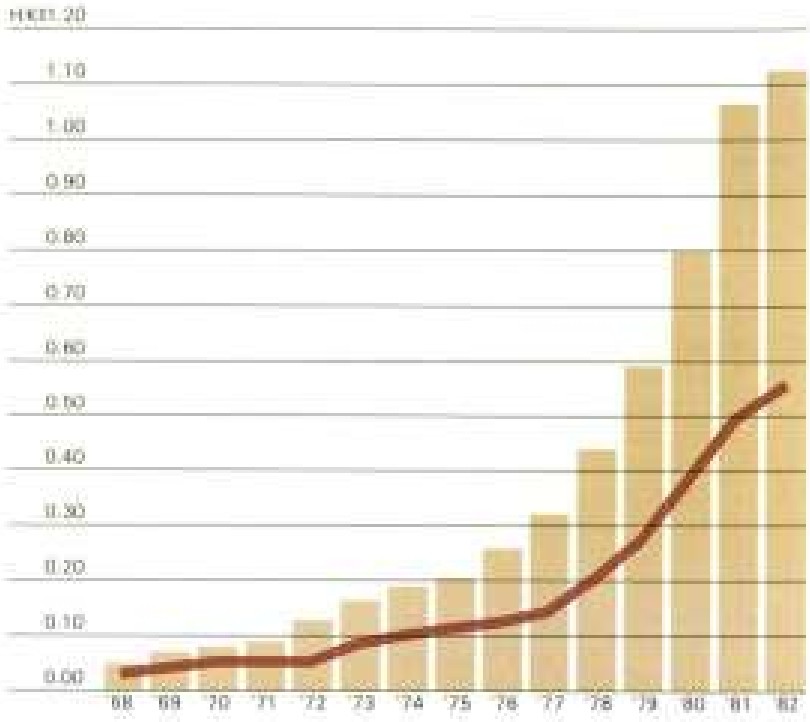
Fifteen Year Financial Summary

Earnings per share : Group
Dividends per share
Adjusted for bonus issues, rights issue and share split

Group earnings per share amounted to HK$1.13 in 1982 compared with HK$1.07 (as adjusted) in 1981 and have shown a compound annual growth rate of 24.95% from December 1968 to December 1982.

Distribution for 1982 amounted to HK$0.55 per share on the capital as increased by the bonus issue of one for three and shows a compound annual growth rate of 23.09% over the period commencing 1968.



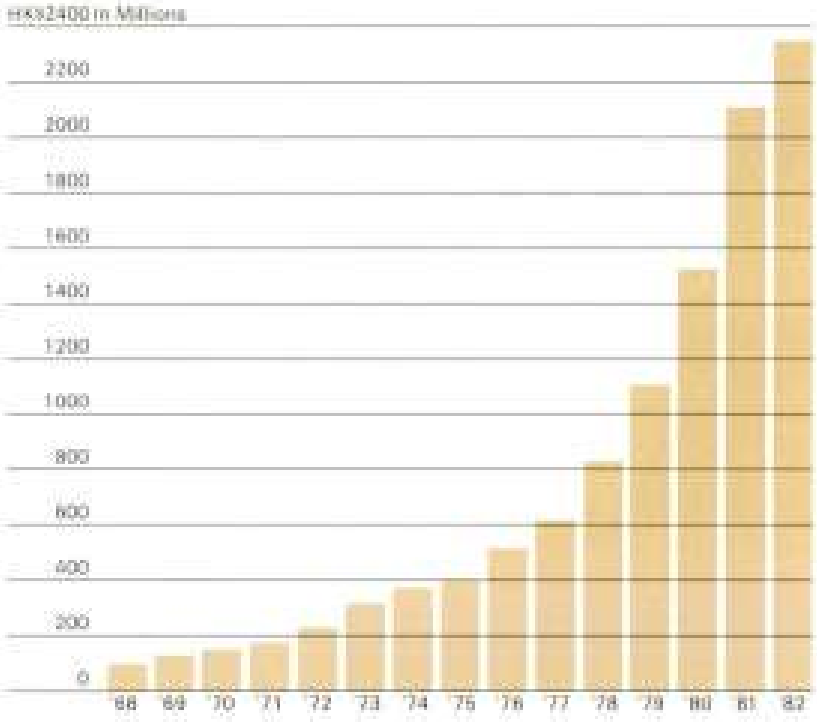
Fifteen Year Financial Highlights

HK$ *Millions*	1968	1969	1970	1971	1972	1973
Total Assets	15,813	18,669	22,719	26,142	32,595	38,060
Issued Capital	174	191	383	421	463	561
Total Shareholders' Funds	535	591	844	969	1,312	1,508
Group Published Profit*	98	131	148	174	228	314
Transfers to Reserves	25	35	37	45	38	55
Total Distribution	62	73	79	89	102	141
HK$						
Earnings per Share *(adjusted)**	0.05	0.07	0.08	0.09	0.12	0.17
Dividend per Share *(adjusted)*	0.03	0.04	0.05	0.05	0.05	0.08

* Figures for previous years have been adjusted to include the attributable profit of major associated companies.

Profit Growth: Group

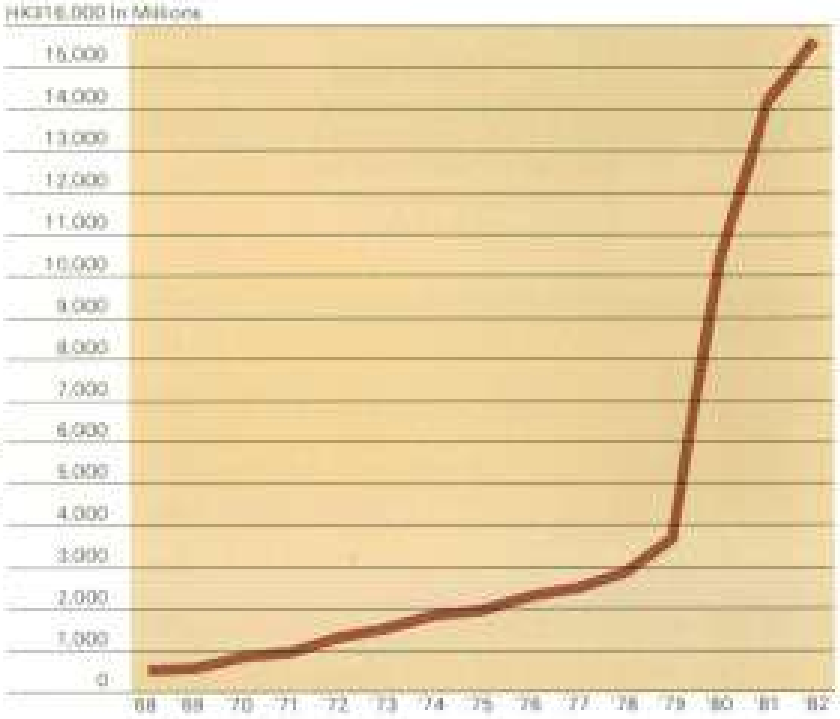
Net profit of the Group for 1982 at HK$2,357 million represents an increase of 11.4% compared with the profit for 1981. Since 1968 the profit of the Group has increased at a compound annual rate of 25.50%.



1974	1975	1976	1977	1978	1979	1980	1981	1982	*Compound Rate of Growth % 1968–82*
41,503	47,967	55,289	68,710	84,881	109,463	242,953	304,293	379,186	**25.48**
694	868	954	1,050	1,155	1,732	2,786	3,899	5,200	**27.46**
1,841	1,971	2,273	2,486	2,877	3,709	10,326	14,147	15,606	**27.24**
373	396	514	614	829	1,111	1,531	2,116	2,357	**25.50**
75	84	110	129	202	278	454	588	440	**22.73**
180	201	229	273	370	513	724	996	1,144	**23.15**
0.19	0.21	0.27	0.32	0.43	0.58	0.80	1.07	1.13	**24.95**
0.10	0.11	0.12	0.14	0.20	0.27	0.38	0.49	0.55	**23.09**

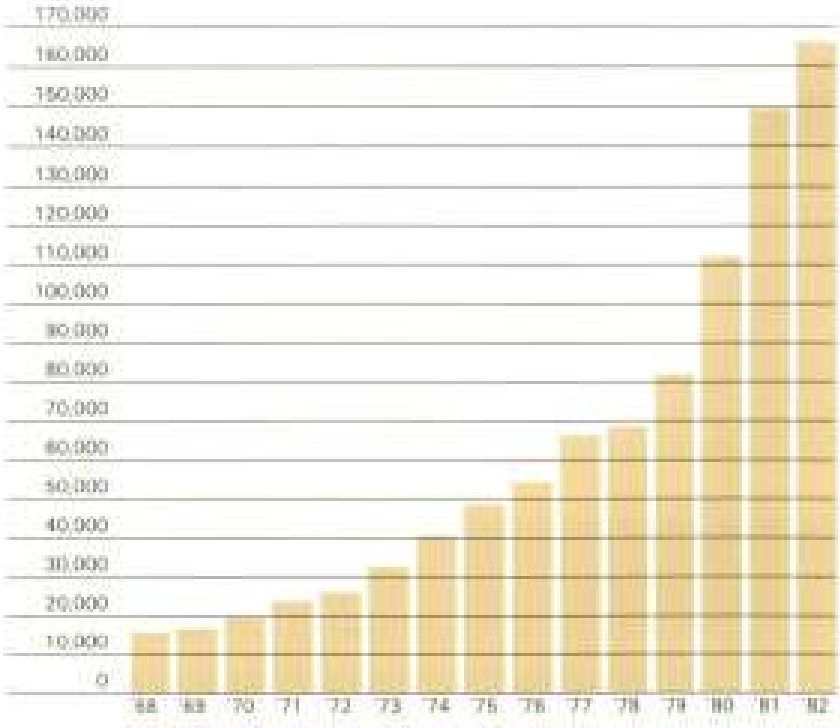
Shareholders' Funds: Group

Annual bonus issues to shareholders together with share exchanges and transfers to published reserves and retained profits have resulted in a steady increase in shareholders' funds. During 1982 the Bank's capital was increased through a bonus issue of one for three which resulted in an increase in the Bank's issued capital of HK$1,301 million. Shareholders' funds have increased from HK$14,147 million at December 1981 to HK$15,606 million at December 1982.



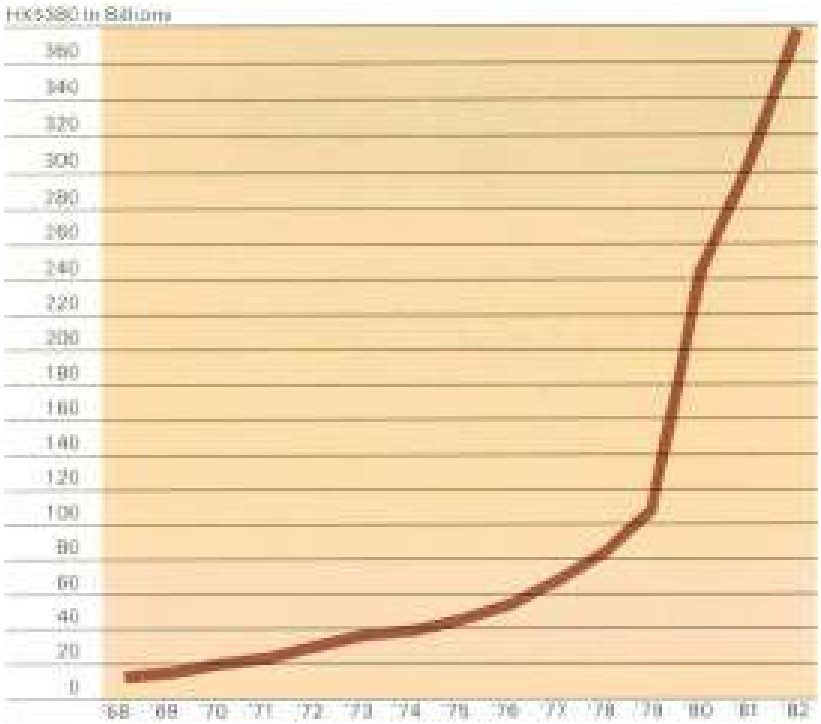
Number of Shareholders

The number of shareholders in December 1982 exceeded 166,000, representing more than a tenfold increase since 1968.



Total Assets: Group

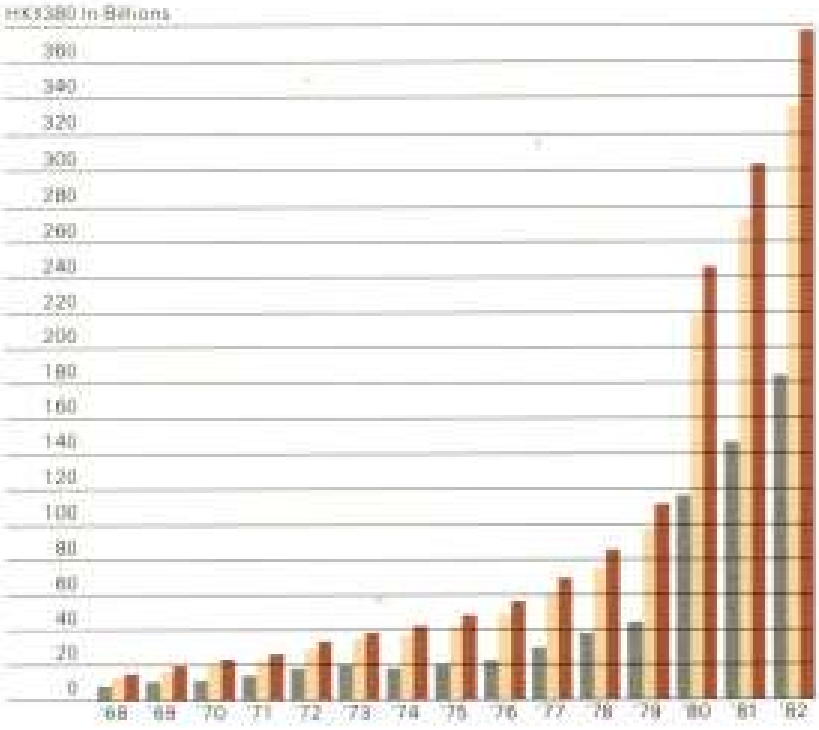
The assets of the Group have continued to show a steady growth with the result that total assets have increased from HK$304,293 million in 1981 to HK$379,186 million in 1982.



Advance/Deposit Growth: Group

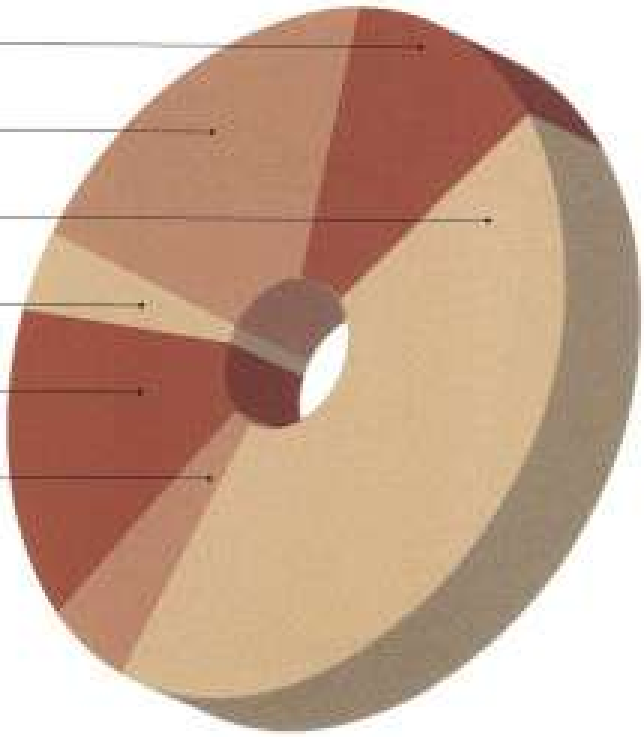
The ratio of advances to deposits at 31 December 1982 was 54.43% compared with 54.25% at the end of the previous year.

Deposits continue to show a steady growth with a compound annual growth rate of 25.92% since 1968.



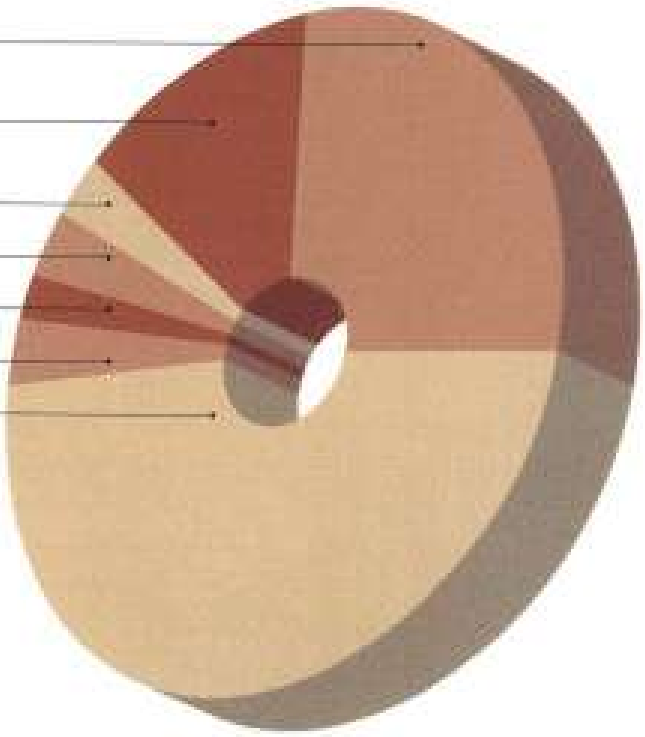
Current, Deposit and other Accounts (excluding inner reserves): Group

Current accounts	9.07 *percent*
Savings accounts	20.76
Deposit accounts	45.06
Government accounts	5.11
Deposits from banks	15.99
Other accounts	4.01



Total Assets (excluding contra accounts): Group

Cash and short-term funds	24.01 *percent*
Deposits with banks within 12 months	13.68
Bills discounted and bankers' CD's	3.60
Investments	4.19
Other accounts	2.79
Fixed assets	3.75
Advances	47.98
Commercial, industrial and international trade	19.14
Individuals	4.73
Financial institutions	3.69
Property	10.66
Shipping	2.45
Other (including Utilities and HP etc.)	7.31



International Network

More than 1000 group offices provide services in the following locations:

Asia Pacific

Brunei *nine offices*

China *four offices*

Guam *one office*

Hong Kong *four hundred and eleven offices*

India *twenty-three offices*

Indonesia *four offices*

Japan *seven offices*

Republic of Korea *three offices*

Macau *four offices*

Malaysia *forty-three offices*

Mauritius *eleven offices*

Pakistan *one office*

Philippines *five offices*

Singapore *nineteen offices*

Solomon Islands *one office*

Sri Lanka *one office*

Taiwan *one office*

Thailand *five offices*

Vanuatu *three offices*

North America

Canada *seventeen offices*

United States of America *three hundred and fourteen offices*

Central America

Mexico *two offices*

Panama *one office*

South America

Argentina *one office*

Brazil *two offices*

Chile *three offices*

Colombia *one office*

Venezuela *one office*

Caribbean

Bahamas *five offices*

Middle East

Bahrain *nine offices*

Djibouti *one office*

Jordan *five offices*

Lebanon *ten offices*

Oman *nineteen offices*

Qatar *two offices*

United Arab Emirates *twenty-seven offices*

Yemen Arab Republic *one office*

Europe

France *two offices*

Federal Republic of Germany *four offices*

Gibraltar *one office*

Greece *one office*

Republic of Ireland *one office*

Italy *two offices*

Netherlands *one office*

Spain *one office*

Switzerland *two offices*

United Kingdom *twenty-five offices*

Channel Islands *five offices*

Australasia

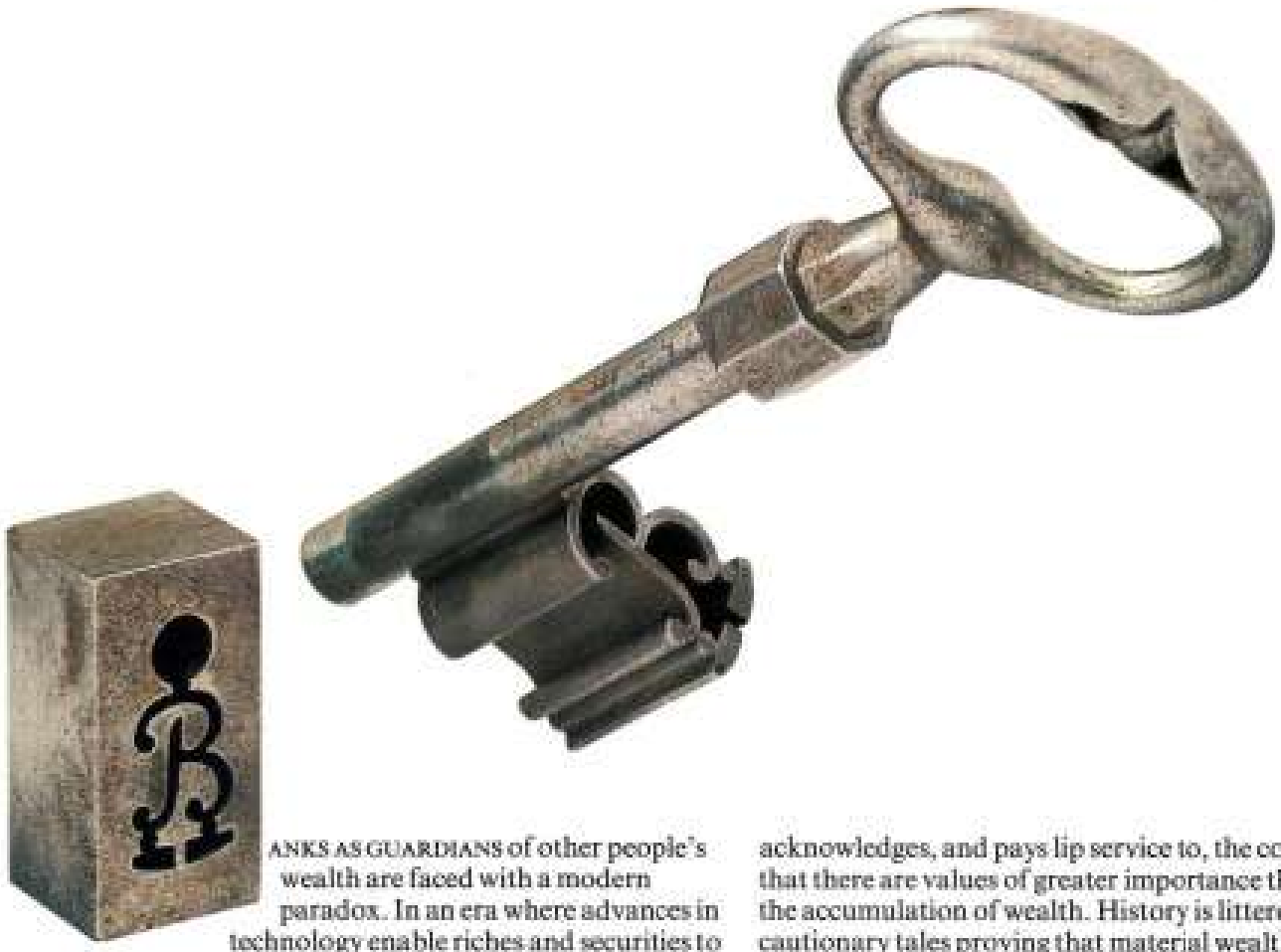
Australia *ten offices*

New Zealand *one office*

NOTE: *We also have associated companies in Cyprus, Egypt, Hong Kong, Korea, Malaysia, Papua New Guinea, Saudi Arabia and the United Kingdom.*

Below : Joseph Bramah made history with this prototype lock patented in 1787 and allowing nearly 500 million variations. Ninety years later came the Yale pindial time lock with two 72-hour watch movements. Opposite : 19th century key and reserve produced as a masterpiece for entry to a French craft guild.

Essay:
Security, a Modern Paradox



BANKS AS GUARDIANS of other people's wealth are faced with a modern paradox. In an era where advances in technology enable riches and securities to be ever more easily expressed in print-outs and plastic, the same technology is increasingly needed to safeguard the traditional treasure of bullion, notes and coins.

Our visual theme in this year's Annual Report, an expression of this paradox, is the guarding of treasure, appropriately coinciding with the construction of our new main treasury alongside Kowloon Bay in Hong Kong.

The treasury building when completed will embody the latest devices to ensure that it fulfils its purpose to provide physical security on a massive scale. Its bulk and size will give it the attributes of a thousand other treasure houses of which, perhaps, Fort Knox, the Tower of London, Peking's Forbidden City, the Red Fort in Delhi and the Bank of England, are the supreme examples.

Each is a solid expression of the need to meet one of mankind's constant needs – the guarding of treasure. Not only through the fortress vaults but through caskets and coffers, safes, locks, even humble piggy banks, man has shown ingenuity and craftsmanship over the centuries in meeting the need. And necessity linked with craftsmanship has produced devices which are themselves treasures now assembled in museums around the world.

They were produced in response to a need which has hardly changed over the centuries. Mankind acknowledges, and pays lip service to, the concept that there are values of greater importance than the accumulation of wealth. History is littered with cautionary tales proving that material wealth guarantees nothing. It is equally full of events where treasure, its presence or absence, decided the fate of empires, kingdoms, nations, tribes, families and individuals.

Precious metals and minerals have exerted an unending fascination on men's minds. And the accumulation of wealth has always been accompanied by an awareness of its vulnerability, especially in store or in transit. This vulnerability was the direct impetus behind the creation of the modern banking system as the search for security became expressed in "securities". Bills of exchange and promissory notes were the forerunners of banknotes and "bearer" securities which in turn are being replaced by plastic credit cards and money expressed as ledger items capable of transmission by telex or satellite.

Each of the major definitions of money, that is as a store of value, a medium of exchange, a unit of account, and a standard for contracts, carries with it a responsibility for guardianship – and this responsibility is easier to discharge when money is an expression of credit rather than a casket full of gold. So it makes eminently good sense that banking should be moving in this direction.

Yet "real" money, the physical kind, continues to exist for many equally sensible reasons, and our human scepticism is such that we continue to feel

illogically that this money is more "real" than entries on an electronic machine.

Money of any kind is, however, only as real as the confidence which underpins it. The legendary barrows full of money which represented a few days' wages at the height of Germany's inflation in the 1920s are the most dramatic example of paper money in which no one had any confidence.

Currency fluctuations on the foreign exchange markets are the day-to-day barometer of confidence in various nations' economies.

So banknotes and coins in a treasury don't have an eternal value. Perhaps this is retained only by gold or silver which have taken to themselves a mystique which is proof against a total loss of confidence in money. People believe in gold, silver, other precious metals and jewels in a way which defies rational assessment, and it seems likely that they always will.

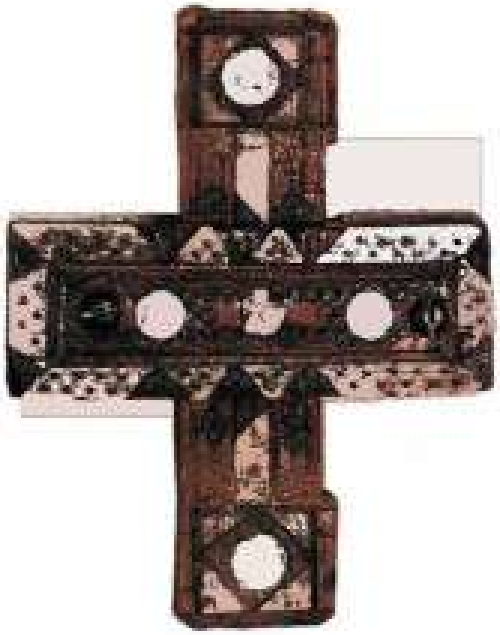
It is predictable therefore that the human ingenuity which has been embodied in the guarding of treasure will continue to be in demand for as long as there is treasure to be guarded against predators in search of it.

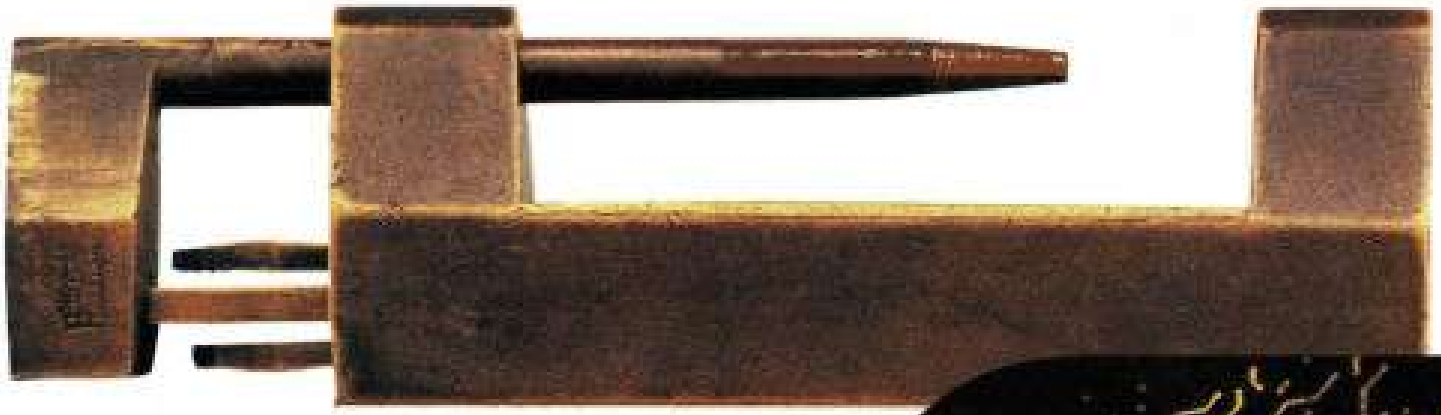
This contest between guardian and predator is perhaps what makes the business of security so endlessly creative. Technology has always been forced to be one step ahead of its challengers. A security device which can be circumvented wins few prizes.

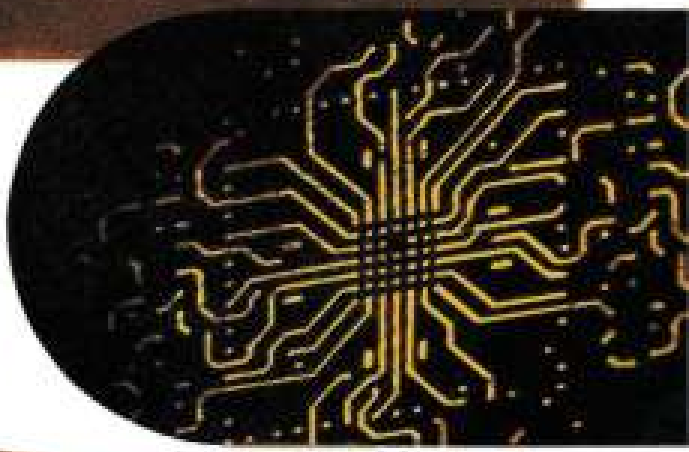
So the technology is directed in two broad areas of protection; a prevention of forgery in documentation and prevention of theft of physical money. Lasers and electronics are the latest weapons reinforcing the armoury of the guardians of the treasuries. Systems which reduce the number of those with access to money stored in bulk are themselves supplemented by fail-safe screening of those who have access. The process of check and countercheck is endless.

Ultimately of course the security of treasuries, and indeed the security of banks, is dependent less on the technology they possess than on the integrity of those who control the technology. So we come full cycle to another paradox which is as old as the oldest of the treasuries and on which all our security rests: that the holder of the key is himself the key.

Locks *Fish-form Korean brass lock which uses a Western-style key but works on the same barb principle as the two Chinese padlocks shown below. Top row: German 16th century passage door padlock requiring two separate keys; inlaid wooden Egyptian type lock from Asia Minor allegedly owned by the Persian king, Darius III, c.300 B.C.; 19th century American railroad switch lock which owes its 'Picasso' shape to the necessity for being handled with gloves in freezing or wet weather. Inset: electronic circuitry has largely replaced mechanical complexity in contemporary locking devices.*







The Hongkong and Shanghai Banking Corporation: Hong Kong

General

After rapid expansion in the past several years, the economy came under pressure from several directions in 1982. International trade suffered as the belated effect of worldwide recession began to be felt in Hong Kong. The volume of domestic exports fell as consumer demand in major export markets turned sluggish. Manufacturers' margins suffered as output declined. Growth in re-exports slowed. The level of imports also slipped as domestic consumption expenditure stagnated. Activity in the building and construction sector was much reduced as the supply of completed properties exceeded demand and property prices tumbled. At the same time, the beginning of negotiations in Beijing between the PRC and the UK about the future of Hong Kong gave rise to uncertainty. The fall in Hong Kong's rate of inflation to 10.6% (1981 : 13.9%) was encouraging although it still remains disturbingly high.

As monetary policies in developed countries adjusted to continuing fall in output, interest rates declined in major world markets. The Best Lending Rate in Hong Kong came down to 10.5% from 16%. Domestic credit demand eased, though there was some evidence towards the end of the year of increased demand for credit when a number of developers sought additional borrowing facilities in order to augment their working capital.

Banking Environment

The financial sector is now adjusting to the three-tier system, one of the aims of which was to reduce the reliance of deposit-taking companies (DTCs) on short-term deposits from the public. Licensed (as opposed to registered) DTCs can still take these deposits provided they are for amounts of HK$500,000 and above. The exception of these deposits from the Bank's Interest Rate Agreement has produced wider competition in the market. Towards the end of 1982 a limited number of registered DTCs which relied excessively on the short-term interbank market faced liquidity problems. Some have subsequently had their registrations suspended or revoked. The Bank's announcement that it stood ready to assist those DTCs which were soundly based and well managed had a stabilising effect however and these problems have been confined to DTCs which lack strong financial parentage.

Retail Operations

Despite the slowdown in the economy, our retail operations continued to grow. Our branch network expanded further, albeit at a slower pace, and we now have approximately 300 branches throughout Hong Kong. A further 80 Automatic Teller Machines (ATMs) were installed and customer response to this service continues to be enthusiastic. In the field of retail credit, our Personal Instalment Loan Scheme remained popular and it has now been augmented by a Salaried Employees Overdraft Scheme to cater for customers in the higher income brackets. The range of Wayfoong Gold products has been widened to include physical gold, with gold ingots bearing the Bank's own stamp available in various tael denominations. A Wayfoong Gold passbook account has also been introduced. A Bureau de Change facility was opened in 1982 to improve the service we provide for the buying and selling of foreign currency notes.

To encourage the purchase of residential accommodation by owner occupiers we have revised our Home Mortgage Scheme in Hong Kong, to allow mortgages for up to 20 years including properties in the New Territories.

The Bank, in consultation with The Federation of Hong Kong Industries and The Chinese Manufacturers Association, is introducing financing proposals to assist small industrial units to cope more effectively with increasing overseas competition. Many of these units lack access to the organised credit market and it is imperative to strengthen this sector, which accounts for nearly 30% of Hong Kong's total manufacturing output.

Staff

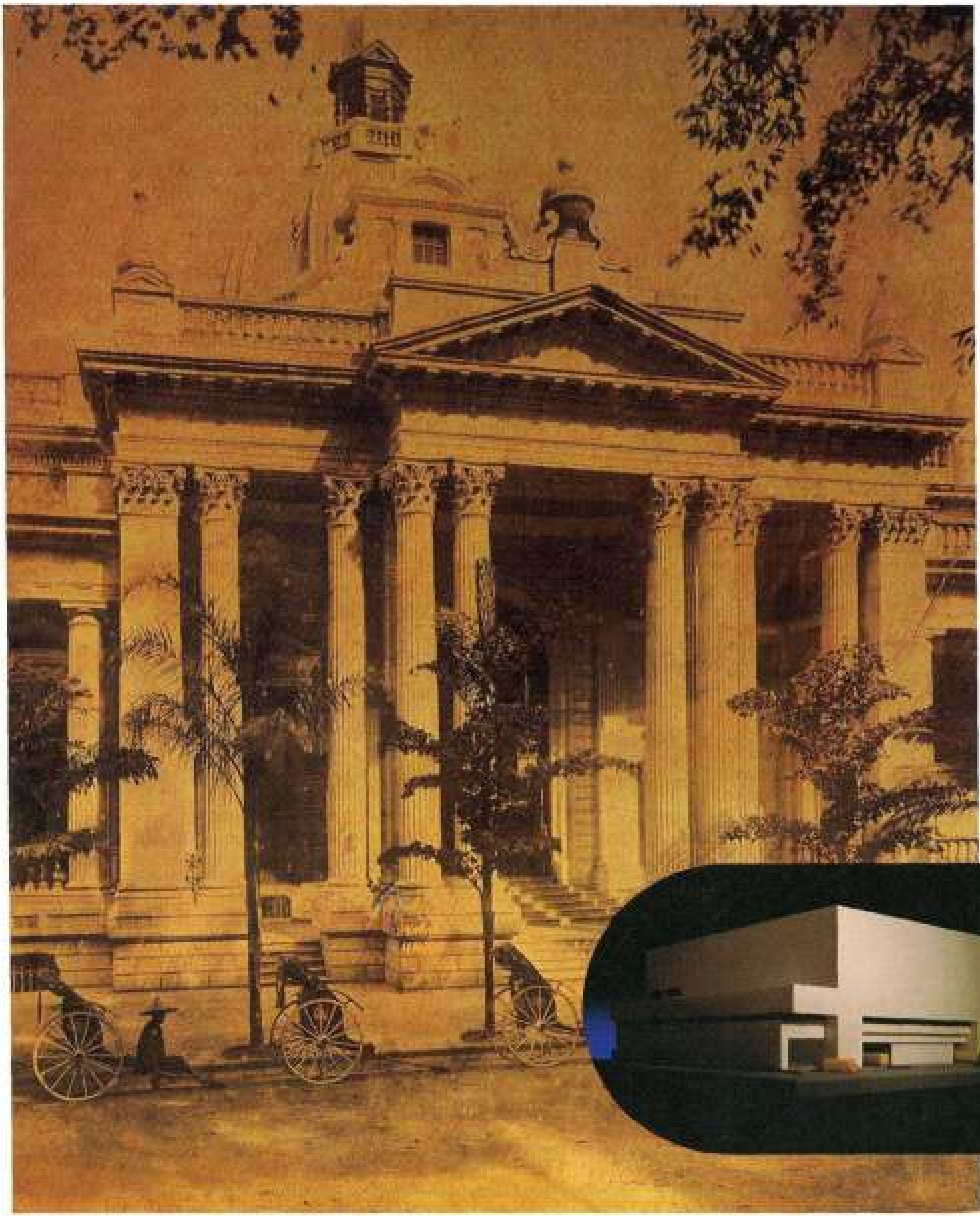
By the end of the year the total staff establishment in Hong Kong stood at just over 11,000, reflecting a significantly slower rate of growth than in the previous three years.

Staff wastage was significantly reduced, and intensive efforts are being made to improve overall productivity through the introduction of new planning systems, training courses, etc.

Community Service

The Bank continued to take a very active role in various areas of community service. The Hongkong Bank Foundation disbursed more than HK$6 million during the year towards education, medicine, the arts, sports and community relations.

Buildings *Our first Hong Kong headquarters building, photographed around the time of its completion one hundred years ago, conveys a more leisurely image than the businesslike, fortress design of our new Kowloon Treasury (in model form in the inset) scheduled for completion in 1984.*



The Hongkong and Shanghai Banking Corporation: International

ASIA PACIFIC REGION

Australia
Our representative office in Sydney continued actively to promote the group's name and services in close liaison with Wardley Australia Ltd.

Bahrain
Our Offshore Banking Unit had another very successful year with a substantial improvement in profits.

Brunei
A satisfactory profit was maintained despite the scarcity of lending opportunities and lower interest rates. Two new branches were opened.

Mortgage and Finance Limited, which recorded increased profits, has moved into larger premises.

China
Despite the problems stemming from international recession, China continues to attract considerable interest among the international business community and particularly the Overseas Chinese.

During the year we opened representative offices in Guangzhou (Canton) and the Special Economic Zone of Shenzhen to add to our representative office in Beijing and our branch in Shanghai.

Guam
Despite continued deposit taking restrictions pertaining to foreign banks, our agency in Guam produced a satisfactory result.

Indonesia
Our branches achieved a very satisfactory result. The deposit base increased but margins were squeezed by intense competition for funds. The increase in our swap line granted by Bank Indonesia and the prolonged weakness of the Rupiah led to a marked growth in exchange business.

Japan
Notwithstanding difficult trading conditions which resulted in depressed loan demand and finer margins our branches achieved satisfactory results.

Permission was granted for the opening of a branch in Nagoya which took over the business of Mercantile Bank Ltd there with effect from 1 January 1983.

It is expected that our Fukuoka representative office will achieve branch status in April 1983.

Korea
Our branch in Busan started business in February and recorded a small profit in its first year of operation.

The representative office in Seoul continues to render valuable assistance to group offices.

Malaysia
Our Malaysian branches had another successful year. This was accomplished despite the continuing world recession which further depressed prices of Malaysia's primary commodities and led to a marked slowdown in the demand for credit. In line with world trends, interest rates fell in the final quarter of the year. Our computer network was extended to include our major Sabah and Sarawak branches, whilst Automatic Teller Machines (ATMs) were initially introduced in the Kuala Lumpur area and then extended to include Penang, Kuantan, Butterworth and Ipoh.

New Zealand
NZI Financial Corporation, in which we have a 24.5% holding, declared increased dividends during the year.

Pakistan
Our Karachi office opened for business on 2 July 1982, offering a full range of computerised banking services. Credit ceilings imposed by the authorities have restricted initial business opportunities.

Philippines
1982 saw the worst recession in the Philippines for many years. Prices for traditional exports reached historic lows in real terms. Despite these circumstances, our offices produced satisfactory results, but some provision had to be made for doubtful debts.

Singapore
The result for the year was satisfactory in spite of the comparatively depressed business climate and lower interest rates.

The Asian Currency Unit achieved a most satisfactory level of profitability due to a sharp growth in business generally.

Solomon Islands
Despite the adverse effects of the world recession on the local economy our branch recorded a satisfactory result.

Sri Lanka
Although faced with increased competition from new foreign banks our Colombo office maintained a good level of profitability. In winning the Presidential Election and a subsequent referendum the President secured a six-year extension of office for himself and his Government.

Taiwan
Our liaison representative office in Taipei opened in October.

Thailand
Our branches experienced a difficult year in the face of depressed economic conditions and consequently results were not up to expectation. Our main office moved into better located premises.

Vanuatu
A greater air of confidence abounds and results were satisfactory.

EUROPE

Channel Islands
Jersey produced improved working profits though problems associated with our Trustee Company seriously affected the final result.

France
Despite the poor economic climate our Paris office achieved satisfactory working profits.

Germany
Although trading conditions continue to be difficult, our German branches produced good results due to higher earnings on foreign exchange operations.

Gibraltar
Our subsidiary company, The Hongkong Bank and Trust Company Ltd, opened for business in June.

Irish Republic
Dublin branch moved into profitability and business continued to grow satisfactorily.

Italy
Milan office became operational in October and was able to cover its overheads.

Netherlands
Our Amsterdam office had a successful year and produced improved profits.

Switzerland
Our Zurich office produced another satisfactory result.

United Kingdom
Our branches in London and Manchester had a good year although overheads continued to rise. Trading conditions hampered progress in Birmingham and Edinburgh. A new branch was opened in Leeds in February 1983.

THE AMERICAS

Bahamas
A good working profit was achieved through an increase in offshore business generally.

Brazil
Despite difficult local economic conditions our representative office continued to assist other group offices.

Canada
The results of Hongkong Bank of Canada were disappointing and reflected the current depressed state of the Canadian economy.

Two new retail branches were opened in the Chinatown districts of Vancouver and Toronto in February 1983.

Chile
Despite deteriorating economic conditions our Santiago branch achieved a satisfactory working profit.

United States of America
Results from our branches in the United States were once again satisfactory.

Hongkong Bank International, an Edge Act Corporation in Houston, began operations in May and Hongkong Bancorp Inc, a domestic finance company also in Houston, opened for business in August.

ASSOCIATE BANKS

The Cyprus Popular Bank Limited
Our associate bank continued its policy of expansion and added four new branches to its branch network in Cyprus bringing the total to 52 at the end of 1982.

Hongkong Egyptian Bank SAE
Our associate bank, in which we have a 40% shareholding, opened for business in Cairo on 5 December 1982.

Money Boxes *of various periods and designs ranging from the steel church collection box (c. 1870, Rheims) and the ingenious late 19th century American cast-iron mechanical toy banks, to the earthenware traditional Chinese (which must be shattered for access to its contents) and one in red plastic in the shape of our 1935–1981 headquarters. Inset: the electronic* ETC *machine accepts deposits, also dispenses cash and handles other transactions.*

Marine Midland Banks, Inc.

Financial Highlights	**1982**	1981
Share Capital and Reserves	**883,256**	821,551
Profit after taxation	**86,972**	81,279
Dividend Paid	**24,777**	21,195
Total Assets	**20,238,764**	18,682,474

(Expressed in US Dollars '000s)

General

The financial services industry in the United States was presented with more than its share of difficulty in 1982. At Marine Midland, the impact of a lingering worldwide recession was reflected in lower-than-expected volumes of business and, as a result, disappointing earnings progress. At the same time, the company's organisation evolved along the lines set out in its strategic plan and development continued in its key businesses.

Among the year's major developments:

□ Net income was US$87 million, 7% above US$81.3 million for 1981.

□ Marine's primary capital position was significantly enhanced by the issuance in Europe of US$125 million of capital notes. The company's primary capital, which includes equity, the reserve for loan losses and other permanent capital, now exceeds US$1.1 billion and its primary capital-to-assets ratio is among the highest of US money centre banks.

□ Increased commitments of human and financial resources were made to an intensified programme of product management designed to deliver a competitive range of systems-based, non-credit products that will contribute to future fee income.

In addition, Marine Midland continues to benefit from having a well-defined strategic plan for the 1980s. Specific markets where Marine can expect to achieve profitable future growth have been identified, business plans developed and resources allocated accordingly.

Strategic Business Review

The impact of worldwide recession was felt by many of Marine Midland's corporate, international and institutional banking customers. Accordingly, the Bank's emphasis was on developing high quality business while helping customers solve recession-induced financial problems.

In the retail banking area, Marine continued to benefit from its significant position in New York State. Despite the severity of the recession, Marine's consumer loan volume and market share increased while both delinquencies and charge-offs were within historical averages and lower than in 1981. The Bank competed aggressively – and successfully – for consumer deposits during the year, utilising a broad range of new products to take advantage of deregulatory initiatives.

Marine's position in New York State was also reflected in the success of the Bank's business with middle market, or small to medium-sized, companies. Marine's middle market loans and profits were up substantially from the previous year, contributing strongly to the Company's net interest income growth.

Consistent with Marine's strategy of seeking "enriched relationships" with significant banks in the United States, the company made an important strategic investment in Centran Corporation, a US$2.8 billion bank holding company which owns six banks in Ohio. With changes in US banking laws, this investment could lead to Marine's holding 37.5% of Centran's outstanding shares. Centran is the second financial institution outside New York State to share in the opportunities presented by Marine's programme of enriched relationships. The first, in 1981, was Industrial Valley Bank, a US$1.8 billion bank in Pennsylvania.

HSBC Joint Ventures

Marine's international partnership with HongkongBank continued to evolve with the establishment of two joint ventures. The first was launched by Marine and Wardley Investment Services Ltd. to provide institutional customers with international counselling and investment services.

Early in 1983, Marine's International Treasury Management operation became the manager of another new joint venture. The new unit, International Treasury Management Ltd., will offer a wide range of foreign exchange and currency management services to corporations, institutions and government agencies worldwide.

Extensive Banking Network

One of the largest banking organisations in the United States, Marine Midland operates the most extensive retail and commercial banking system in New York State with almost 300 branches and a network of electronic banking terminals. In addition, Marine maintains affiliated offices in four other states plus 25 offices overseas. The Bank has more than 11,000 employees worldwide.

Overleaf: **Safes and Strongboxes** *A massive steel and wood French safe of 1800 with concealed escutcheons; an enamelled 1535 casket, the 19th century Japanese wood and iron tansu, an 1832 Chubb plaque, Tutankhamen's alabaster chest c.1342 B.C. and a brass-reinforced dowry box from Kerala, India, all contrast with a modern safe-lock of 63 million possible combinations.*

The British Bank of the Middle East

Financial Highlights	**1982**	1981
Share Capital and Reserves	**102,873**	92,034
Profit for the year after taxation	**20,653**	14,232
Dividend Paid	**12,000**	7,500
Total Assets	**1,578,634**	1,228,455

Expressed in Pounds Sterling '000s

Bahrain
All branches in Bahrain exceeded forecast profits as a result of increased resources. An acceleration in infrastructural development projects and continued business confidence produced a more buoyant economy.

Djibouti
Results for the year were disappointing, as the local economy continued to be adversely affected by conditions in neighbouring territories, and in particular by a Somali trade embargo on goods trans-shipped at Djibouti.

India
Our branch in Bombay had a good year. Both the level of deployment and volume of resources increased satisfactorily.

Jordan
Our branches again had a satisfactory year and our operations in Jordan are now computerised. Plans were completed for the relocation of a branch in Amman to a developing area and it opened for business at the beginning of 1983.

Lebanon
Despite the adverse security conditions prevailing in Lebanon throughout the year, our branches continued to operate successfully and have again produced very satisfactory results.

The rationalisation of our operation in the Lebanon, by the absorption of the business of our subsidiary, The British Bank of the Lebanon, was completed successfully, on schedule. Our branches are now in the process of being computerised.

Oman
Our business in Oman has continued to develop although results were affected by higher costs and increasing competition. Rationalisation of our operations is continuing and plans for the computerisation of our branch network are proceeding smoothly.

The local economy remains buoyant and implementation of the Second Five Year Plan continues on schedule.

Qatar
Declining oil revenues and delay in development of offshore gas reserves have resulted in slower economic growth. Despite this, our branches have again had a very successful year.

Switzerland
Our branch in Geneva had another successful year. Fiduciary deposit and foreign exchange business volumes increased substantially.

United Kingdom
Although results improved, overheads remain high. Business in both branches continued to develop satisfactorily however.

United Arab Emirates
Our branches produced improved profits despite high local liquidity and a contraction in lending opportunities in the second part of the year.

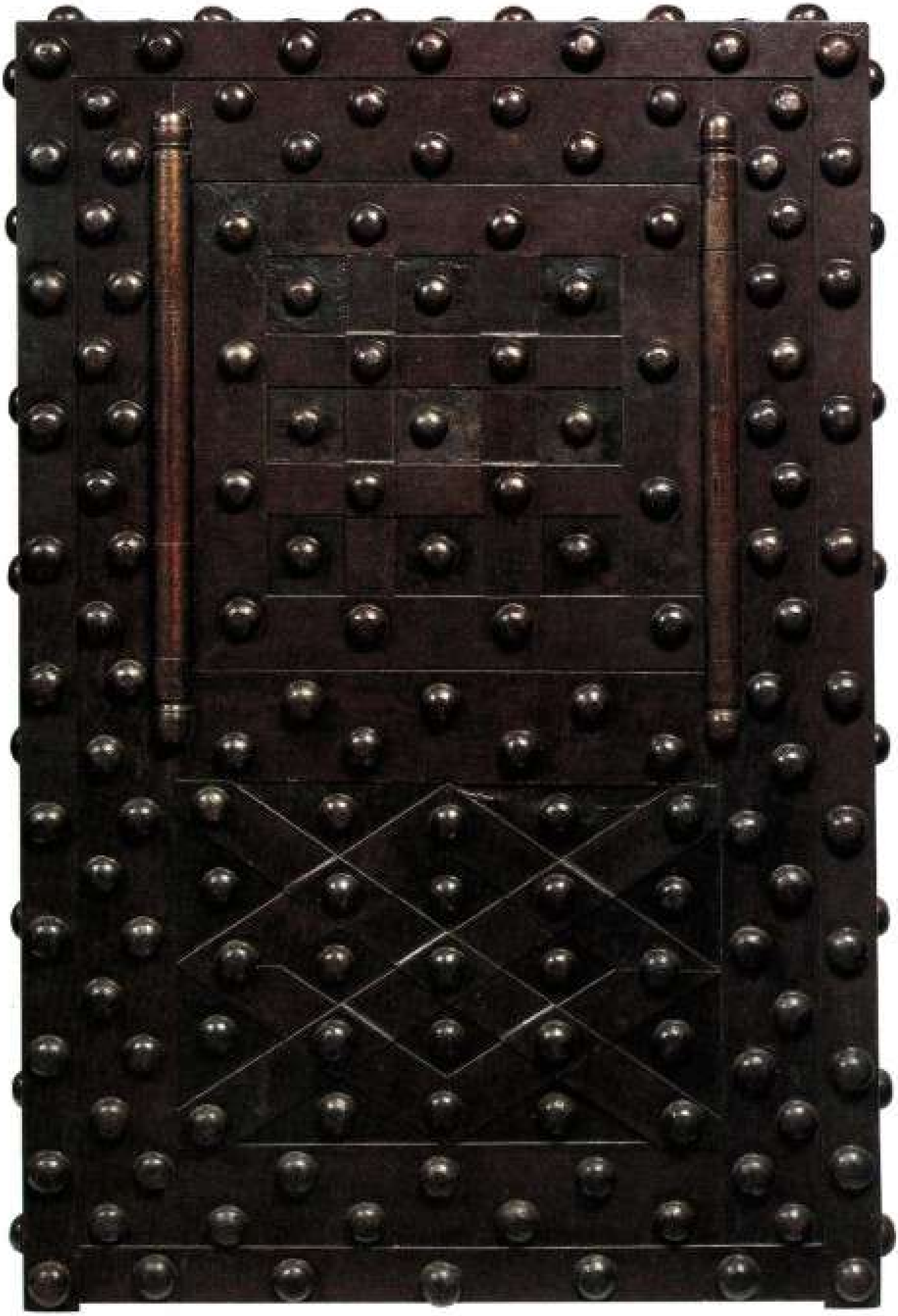
In compliance with Central Bank regulations restricting our network of branches, nine small offices were closed during the year.

Yemen Arab Republic
In the context of a stagnant economy in a country short of foreign exchange, results were disappointing, being adversely affected by increased overheads and a lack of suitable lending outlets.

Middle East Finance Company
Private and commercial vehicle finance business was slack, reflecting the local business climate and the effects of a protracted ban on taxi registrations in Abu Dhabi. Nevertheless, satisfactory results were recorded.

ASSOCIATE BANK

The Saudi British Bank
Saudi Arabia withstood the slump in demand for crude oil without serious effect on domestic economic activity. Our 40% owned associate, the Saudi British Bank, achieved improved profitability despite falling interest rates. A dividend of 20% (1981: 17%) is proposed.



PATENT FIRE-PROOF
SAFE.
CHARLES CHUBB,
INVENTOR & PATENTEE,
57, St Paul's Church Yard,
LONDON.

Ironwork *can adorn as well as protect and reinforce. Examples of the blacksmith's art include this keyplate shaped like a couple, an ornate hinge, a late Gothic chest lock (the lower scroll work guides the key to the hole in poor lighting) and a door strap of organic design. The inset laser beam photographed in laboratory conditions is less ornamental but more effective in protecting property.*

Hang Seng Bank Limited

Financial Highlights	**1982**	1981
Share Capital and Reserves	**2,225,800**	1,831,200
Profit for the year after taxation	**713,700**	594,400
Dividend Paid	**370,000**	296,000
Special Golden Jubilee Dividend	**59,500**	—
Total Assets	**41,437,100**	32,294,800

Expressed in Hong Kong Dollars '000s

Deposits and Other Accounts
The consolidated deposits and other accounts increased by HK$8,707.4 million or 28.9% to reach HK$38,842.3 million by the end of the year. The Bank continued to expand its local branch network. During the year four new full branches were opened and a total of 11 mini-bank offices were set up at the stations along the Tsuen Wan Extension of the Mass Transit Railway and at the Shatin Railway Station, making a total of 86 offices/branches at the year-end.

Loans and Advances
Overall demand for credit remained soft throughout the year despite reductions in borrowing costs during the last few months. Loans and advances showed a moderate increase of HK$701.5 million or 4.8% to HK$15,335.2 million. At the end of the year, 59.0% of customers' deposits was in the form of cash and deposits with other banks, reflecting the Bank's policy of maintaining a high level of liquidity. In November 1982, the Bank, in conjunction with its parent company, undertook to provide home mortgage finance for owner-occupiers with a repayment period of up to 20 years.

Shareholders' Funds
After the one-for-four bonus issue in April 1982 and the proposed transfer to general reserve from current year profit, the published consolidated shareholders' funds totalled HK$2,225.8 million at the year-end, compared with total deposits and other accounts of HK$38,842.3 million and total assets of HK$41,437.1 million. For the past five years, the annual compound rate of growth in the published consolidated shareholders' funds was 30.2%.

Hang Seng Finance Limited
Hang Seng Finance Limited, a wholly-owned deposit-taking arm of the Bank, continued to make solid contributions to the Bank's operating results.

Hang Seng Credit Limited
Hang Seng Credit Limited, another wholly-owned deposit-taking arm of the Bank, opened for business on 2 July 1982 to complement the activities of Hang Seng Finance Limited.

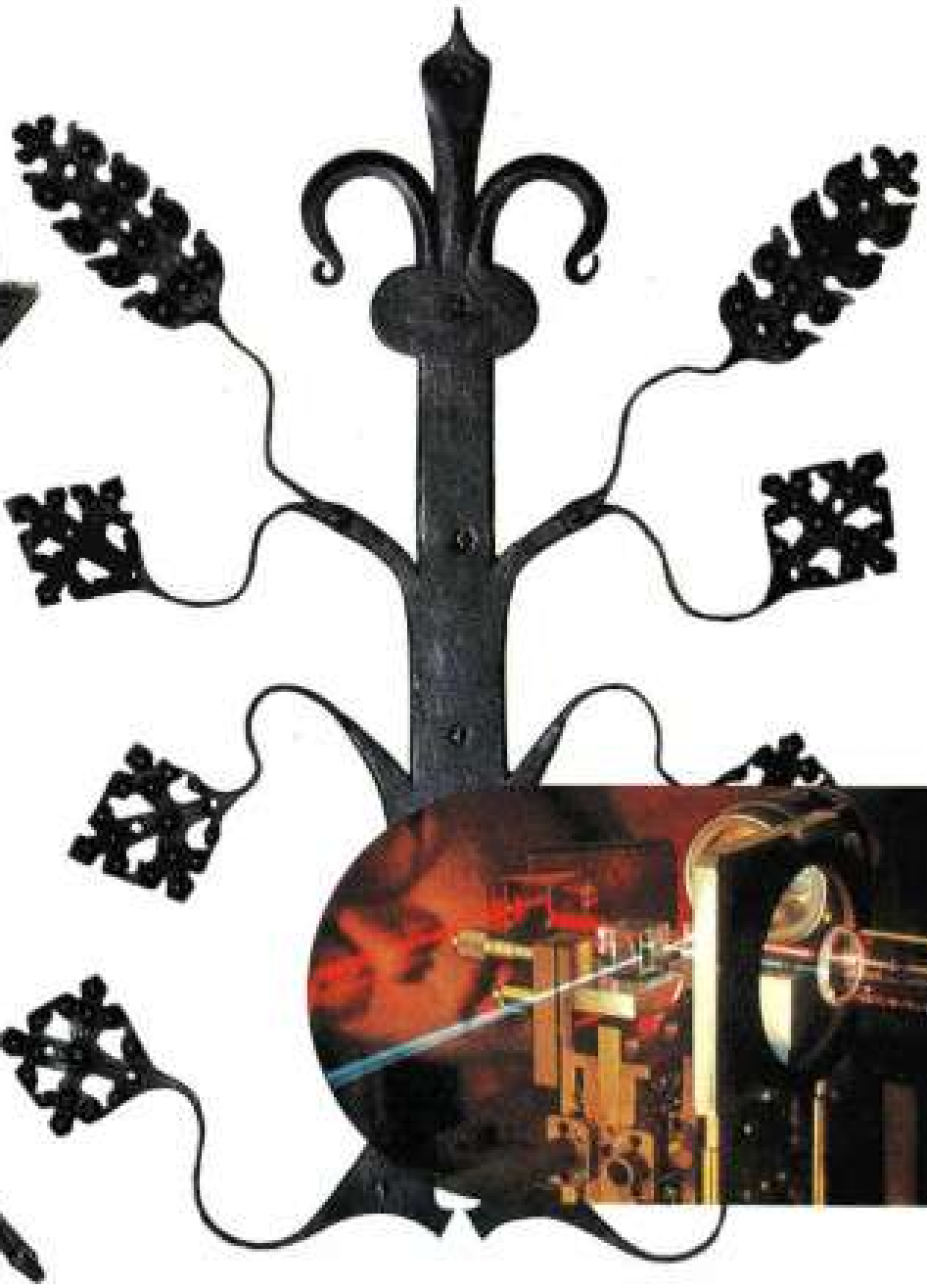
Bahamian Subsidiaries
Hang Seng Bank (Bahamas) Limited, a wholly-owned subsidiary of the Bank in Bahamas, entered its second year of operation. This and the Bank's other Bahamian subsidiaries are engaged in offshore lending. Their contribution to the Bank's overall expansion will become more significant as the scope of their business widens.

New Services
Since joining the Visa International Group in 1981, the Bank's Visa Card and Visa Travellers Cheque services have been well received. To enhance the Bank's position in the credit card market, the Bank introduced the prestigious Premium Visa Card in 1982.

As investment in gold is gaining popularity in Hong Kong and trading in physical gold gives rise to such inconveniences as delivery and safe-keeping, the Bank introduced a new service, Passbook Gold, to investors in 1982. Response to the new service has been favourable.

Hang Seng School of Commerce
The first batch of graduates of the Hang Seng School of Commerce received their diplomas in October 1982. Of the 148 graduates, two with outstanding academic performance were awarded S.H. Ho Overseas Scholarships to further their studies in a three-year honours degree course at the City of London Polytechnic, with exemption from the first year. The School's Diploma has now received formal recognition from the Institute of Bankers and the Hong Kong Government.

Community Service
The Bank continued its tradition of providing useful services to the community, the more notable ones being the Education Advisory Service, the Hang Seng Index of Share Prices, the Hang Seng Consumer Price Index and the Elementary Banking Programme. Moreover, blood donation by members of the staff to the Red Cross and donations to the Community Chest and other charitable bodies have become annual events.



Mercantile Bank Limited

Financial Highlights	**1982**	1981
Share Capital and Reserves	**9,219**	10,164
Profit for the year after taxation	**1,974**	1,697
Dividend Paid	**1,970**	1,676
Total Assets	**322,382**	308,213

Expressed in Pounds Sterling '000s

Hong Kong
1982 proved to be a difficult year and the world economic situation caused trade-related business to fall away from the peak of the previous year.

India
In spite of a somewhat difficult economic climate, tight resources in the earlier part of the year and excess liquidity in the second half, results were very satisfactory reflecting wider spreads on deployment of increased resources.

The bank's branches in India were transferred to The Hongkong and Shanghai Banking Corporation with effect from 1 January 1983.

Japan
A satisfactory result was recorded. Nagoya office was closed at the end of the year and the business transferred to a branch of The Hongkong and Shanghai Banking Corporation with effect from 1 January 1983.

Mauritius
Depressed world sugar prices continue to plague the economy. Notwithstanding this our branches were able to return a small profit. The June General Election resulted in a landslide victory for the socialist Movement Militant Mauricien (MMM) party and its allies.

Thailand
Our operations were faced with difficult trading conditions and results were consequently disappointing. The main branch moved to Siam Centre in October.

United Kingdom
Our London branch had a good year and recorded a satisfactory result.

Vanuatu
Our offshore branch reported a satisfactory working profit ahead of forecast.

Antony Gibbs Holdings Limited

Financial Highlights	**1982**	1981
Share Capital and Reserves	**9,171**	7,497
Profit for the year after taxation	**3,093**	(3,096)
Dividend Paid	**—**	—
Total Assets	**320,857**	256,935

Expressed in Pounds Sterling '000s

General
The balance of the Australian activities, which were wholly non-financial, were transferred to more suitable ownership within the group with effect from 1 January 1982. The results show a very marked improvement over 1981.

Merchant Banking
Good progress was made across a broad range of businesses. Our presence as an underwriter and manager of Eurobond issues has been successfully consolidated. The name "The HongkongBank group" appears in Tombstone advertisements, thus emphasising the group role which Antony Gibbs plays. This activity, together with the foreign exchange and treasury functions, have made important contributions to the overall improvement in profitability.

There were other areas in which it was too soon to expect a return consistent with the efforts devoted to them. Nevertheless, the groundwork has been done and a strong momentum exists.

Fund Management and Pension Services
The unit trusts have been relaunched under a descriptive title "UK", thus reflecting their parentage: funds under management increased by 88 per cent in the year. Antony Gibbs and Wardley have established a joint venture into which institutional fund management business in the UK will be pooled.

The pension services business also made good progress in terms both of extending its client base and increasing its profits.

Wardley Limited

Financial Highlights	**1982**	1981
Share Capital and Reserves	**999,158**	930,555
Profit for the year after taxation	**164,373**	201,099
Dividend Paid	**110,000**	135,000
Total Assets	**20,504,268**	16,303,178

Expressed in Hong Kong Dollars '000s

General
Results were affected by the sharp fall in property and share prices in Hong Kong. Otherwise business remained at a high level and further progress was made in strengthening the base of Wardley's activities.

Banking Services
Following the introduction of the two-tier deposit-taking company system in Hong Kong, Wardley Limited became a licensed deposit-taking company and a new subsidiary, Wardley Finance Limited, was acquired as a registered deposit-taking company.

Lending
A shortage of attractive lending opportunities in Hong Kong was offset by foreign currency business offshore. Average margins were maintained.

Prudent provision has been made where necessary with particular attention being paid to exposure to property and shipping groups. Much time is currently spent assisting companies in rescheduling arrangements with lending banks.

Corporate Finance
The fall of Hong Kong stock market prices from the record levels of 1981 restricted new issue activity in Hong Kong in 1982. Nevertheless, a number of listings and issues in the region were successfully concluded, particularly in Singapore. Despite the reduction in underwriting the much increased level of advisory work involved Wardley in a wide range of projects.

Investment Management
Funds under management continue to increase and now exceed US$2.5 billion.

New joint ventures were established in London and New York – Wardley Gibbs Investment Management Limited and Wardley Marine International Investment Management Limited. A new branch of Wardley Investment Services Limited was established in Singapore.

Overseas
Wardley's two largest operations outside Hong Kong, in Australia and Singapore, again reported good results. In addition Wardley Australia shareholders' funds have been significantly increased to provide for further growth.

After disappointing results in 1981, Wardley Thailand Limited consolidated and concentrated on improving the quality of its assets.

In the Philippines, Wardley's 25% owned associate – State Investment House, Inc. – maintained its position in a difficult market.

Wardley increased its shareholding in Equator Bank Limited to more than 80% and is confident of the continued success of the company's business which is principally carried on in Africa.

In Malaysia, arrangements are being made for Wardley to take over HongkongBank's 30% interest in UDA Merchant Bank (to be renamed Utama Wardley Bhd).

The Indonesian joint venture company, P.T. Wardley-Summa Leasing, reported encouraging results in its first full year of operations.

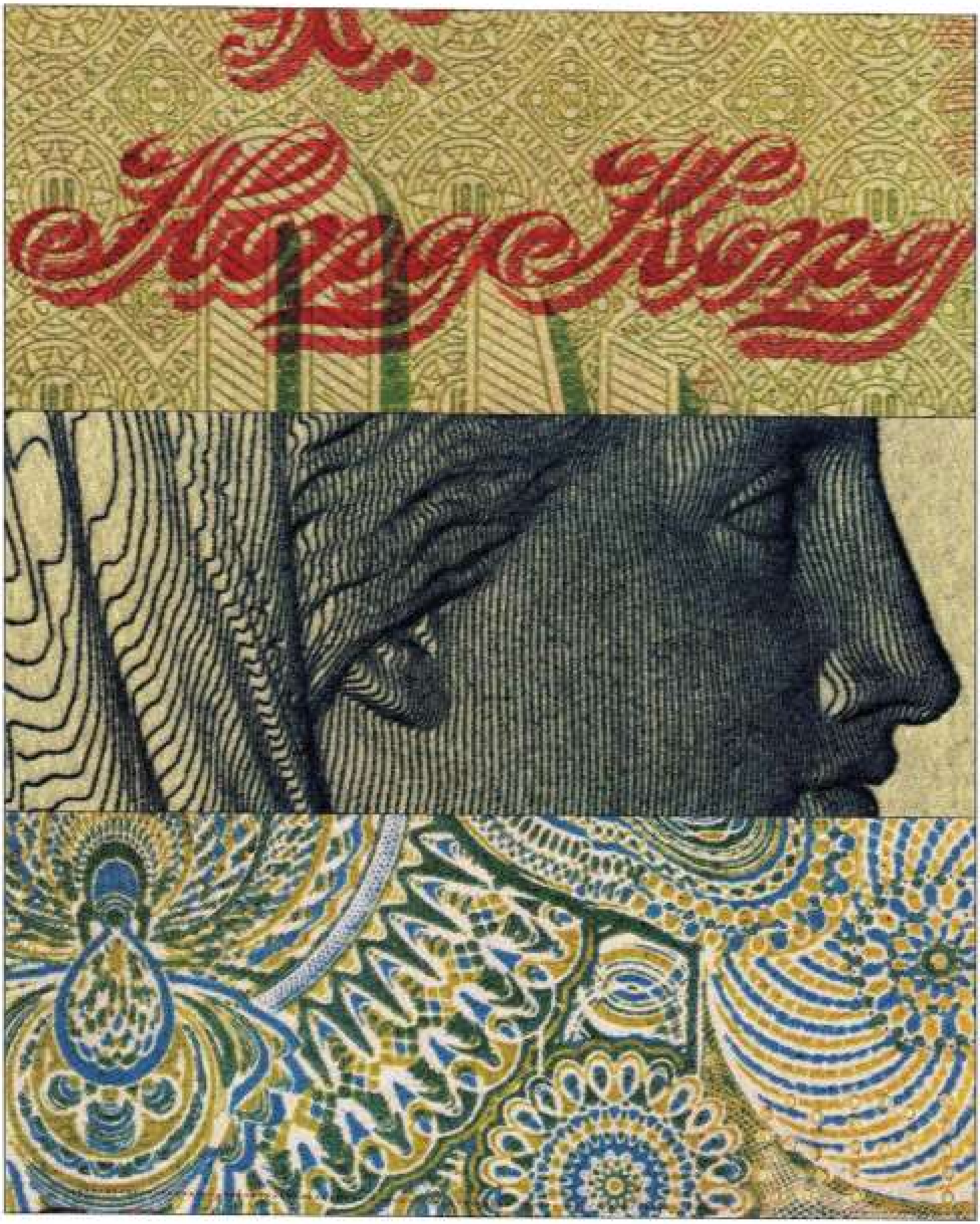
Korea International Merchant Bank, in which HongkongBank has a 30% interest, had another successful year and in Papua New Guinea, Resources & Investment Finance Limited (33% group owned) continued to progress under Wardley management.

Natural Resources
Wardley arranged finance for major projects in the Cooper Basin of South Australia.

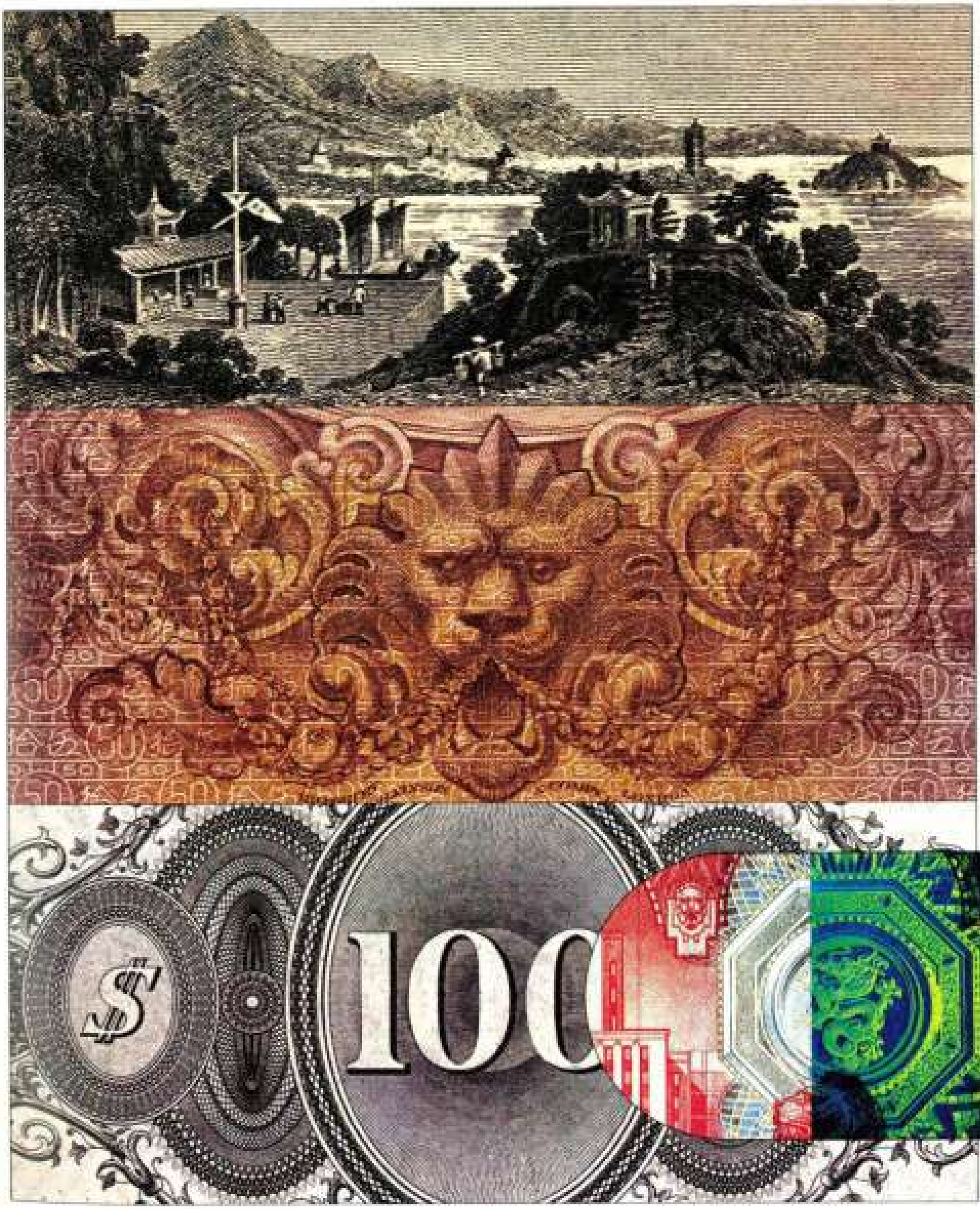
The company's capability has expanded with the recruitment of executives experienced in major resource projects.

Shipping
Wardley Shipping Services Limited is now established as a leading shipbroking and advisory service in Hong Kong. Encouraging business has been generated despite the shipping industry experiencing its worst market conditions within memory.

Commodities
Wardley-ACLI Commodities Limited was formed in August 1982 as a joint venture with ACLI International Inc. of New York to provide a comprehensive brokerage service in all types of commodity futures including gold bullion dealing. Operations for the first five months produced a satisfactory profit.


King Kong

Security pattern *Details of a selection of intricately engraved banknotes, issued by Hongkong Bank, intended to discourage counterfeiters. Inset shows section of a contemporary banknote with a pattern visible only under ultraviolet light*



Mortgage And Finance (Malaysia) Berhad

Financial Highlights	**1982**	1981
Share Capital and Reserves	**38,035**	37,109
Profit for the year after taxation	**10,425**	11,674
Dividends Paid and Proposed	**9,500**	9,500
Total Assets	**728,103**	699,779

Expressed in Malaysian Ringgits '000s

Mortgage And Finance (Malaysia) Bhd had a satisfactory year in the light of difficult operating conditions caused by the continuing world recession and increased competition. Although profits were slightly down, the dividend was maintained.

Wayfoong Mortgage And Finance (Singapore) Limited

Share Capital and Reserves	**13,971**	13,211
Profit for the year after taxation	**4,960**	2,538
Dividend Paid	**4,200**	1,875
Total Assets	**175,493**	171,944

Expressed in Singapore Dollars '000s

Resources continued to grow and profits, helped by a lower cost of funds, improved despite increased competition. In line with the better results an increased dividend was paid.

Wayfoong Finance Limited

Share Capital and Reserves	**489,412**	487,543
Profit for the year after taxation	**101,869**	110,277
Dividend Paid	**100,000**	100,000
Total Assets	**8,293,949**	9,392,957

Expressed in Hong Kong Dollars '000s

The sharp increase in the first registration tax and licence fees on cars in May had an adverse effect on Hire Purchase and outstandings rose only slightly. New mortgage business, however, increased significantly during the second half of the year when there was an upturn in the sales of small residential flats. The implementation of the new Deposit-Taking Companies Ordinance caused a major change in the pattern of our deposits but the overall effect was not as adverse as originally expected.

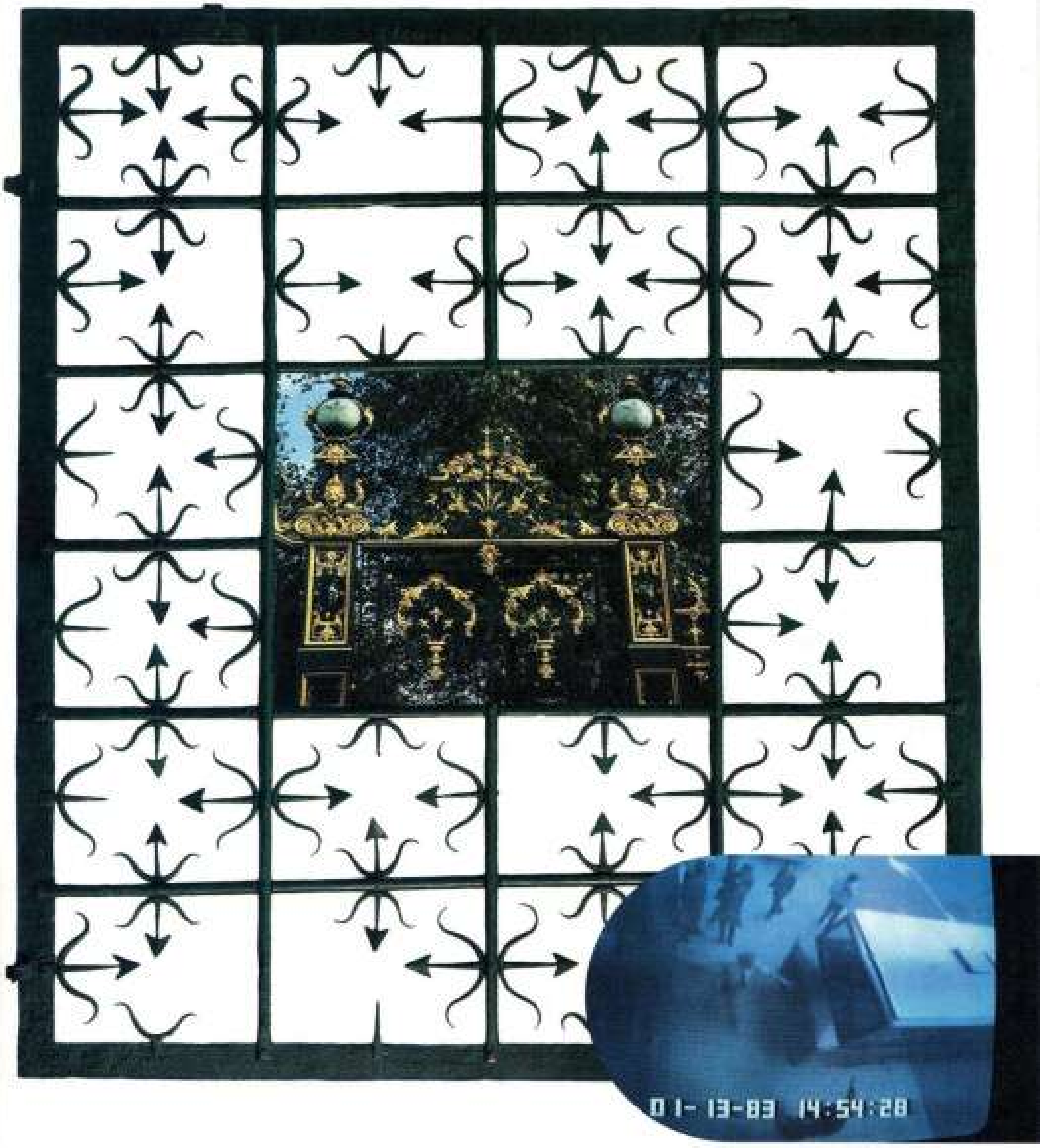
Fort Hall Limited (formerly Wayhong Investment Limited)

Share Capital and Reserves	**906,536**	707,185
Profit for year after taxation (including results of associated companies)	**166,813**	137,265
Dividend Paid	**86,455**	77,994
Total Assets	**1,656,624**	1,321,107

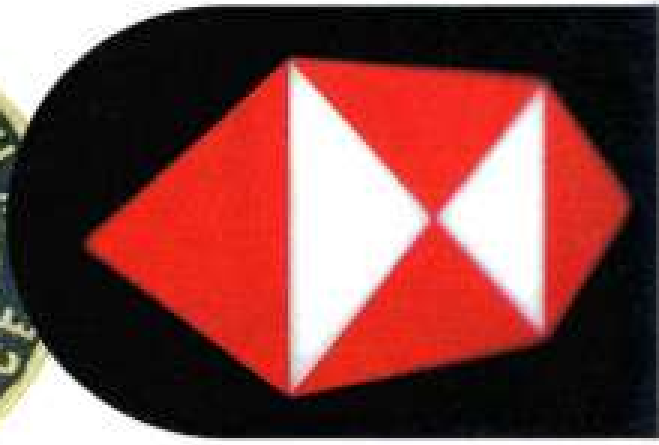
Expressed in Hong Kong Dollars '000s

The results of the major associated companies comprising our transportation portfolio have been incorporated into the accounts of Fort Hall Ltd on an equity basis in place of dividends received. 1981 figures have been restated accordingly.
Cathay Pacific Airways returned a significantly improved performance on last year while the World-Wide Shipping Group maintained the level of profitability achieved in 1981.

Gateways *Wrought iron grille with arrow motifs (17th century German) and Rococo gilt cast iron outside a Parisian park serve a function now handled by a video screen which monitors traffic at the entrance to our present treasury.*



Symbols of security *appear on Firemarks which identified insured buildings during the last century. The iconography includes reassuring motifs like clasped hands, warriors, snakes, crowns, castle walls and lions. HongkongBank's hexagon symbol, part of our new corporate identity programme, is seen as an illuminated sign in the inset.*



Insurance Services

General
The Bank's insurance interests comprise investments in companies engaged in General Insurance, Life Assurance, Reinsurance, Retirement Benefits, Consultancy and Broking in Hong Kong as well as overseas.

1982 continued to be a difficult year for the insurance industry worldwide in the light of general recession and highly competitive markets.

The Insurance Group had a year of consolidation and, while overall profits were higher than the previous year, the rate of increase was less than in recent years.

HONG KONG

Carlingford Insurance Company Limited
Carlingford Insurance Company operates in Hong Kong, offering most types of policies other than life assurance. Premiums written during the year amounted to HK$108.8 million compared with HK$92.6 million in 1981.

Total underwriting profit for the year was HK$6.5 million against HK$4.5 million in 1981 and net profit before tax was HK$4.7 million compared with HK$5.3 million in 1981. The results were detrimentally affected by an unusual bad debt during the year and to the write-down of risk investments to the lower of market value or cost.

Carlingford Swire Assurance Limited
Carlingford Swire provides a comprehensive service to Hong Kong employers in the field of retirement benefits. It also effects term assurance in the areas of group life and mortgage protection. During the year new savings-related plans for individuals were initiated through a subsidiary, Carlingford Swire Assurance (Bermuda) Limited. Other personal life assurance products are planned to be launched in 1983.

Consolidated funds under management stood at over HK$1,800 million at the end of 1982. It is anticipated that a dividend of HK$4.0 million will be paid in respect of 1982 (1981 : HK$3.0 million).

Citadel Insurance Company Limited
Citadel and its subsidiaries underwrite specialist types of insurance and reinsurance worldwide. Despite a charge to the Profit and Loss Account in respect of a write-down in the value of risk investments consolidated net profits after taxation increased in 1982 to HK$6.7 million (1981 : HK$6.4 million). Shareholders' funds and consolidated insurance funds amounted to HK$960.0 million at year-end.

Gibbs Insurance Consultants Limited
Gibbs acts as an Insurance Consultant and Placing Broker in Hong Kong. Its prime function is to investigate the risks to which a client is exposed and to recommend an appropriate and cost-effective method of protection that corresponds to the specific requirements of each client. It also obtains quotations and supervises tenders from insurance underwriters on behalf of its clients.

In 1982, the company had an excellent year and its fee and brokerage income increased by 44% over 1981. Consolidated pretax profit rose by 41% and a substantially increased dividend was paid.

East Point Reinsurance Company of Hong Kong Limited
East Point operates as a non-life reinsurer based in Hong Kong. Because of continued difficult worldwide conditions in the reinsurance markets, it continued to develop cautiously.

UNITED KINGDOM

Gibbs Insurance Holdings Limited
The two principal operating companies owned by this company are Gibbs Sage Limited and Anton Underwriting Agencies Limited. The former, a Lloyd's broker, improved its performance in 1982, although a loss was still sustained. The company's other main subsidiary, Anton Underwriting Agencies Limited, is a managing agency at Lloyd's and, as a result of receiving increased profit commission, traded at an improved profit.

AUSTRALIA

Carlingford Australia Insurance Company Limited
Carlingford Australia operates in Sydney, Melbourne and Brisbane, offering a service to brokers in most types of non-life classes of insurance. 1982 was the company's first full year of operation and a substantial loss was incurred. Remedial action has been implemented, although market conditions in Australia remain very difficult.

SINGAPORE

Carlingford Insurance Brokers Singapore Pte. Ltd.
Carlingford Insurance Brokers Singapore Pte.

Ltd. (formerly Carlingford Insurance Agencies Singapore Pte. Ltd.), provides insurance broking services in Singapore and traded at a small loss in 1982, its first full year of trading.

RMCA Reinsurance (Pte) Ltd.
RMCA operates as a non-life reinsurer based in Singapore. In spite of the difficult conditions worldwide, it traded profitably during the year.

MIDDLE EAST

Al Sagr Insurance Company of Saudi Arabia Limited
The company operates in Saudi Arabia and gross premiums of SR5.0 million were written compared with SR5.4 million in 1981. Despite more difficult conditions, it continued to trade profitably.

Al Sagr Insurance Company UAE Limited
The company operates in the United Arab Emirates and gross premiums were Dirham 6.0 million compared to Dirham 6.1 million in 1981. A substantially higher profit was recorded.

PAPUA NEW GUINEA

Carlingford PNG. Limited
Carlingford PNG. Limited (formerly Gibbs Bright (New Guinea) Pty. Ltd.) acts as managing agent in Papua New Guinea for the Malayan Insurance Company Incorporated. The company traded satisfactorily and expanded its business.

Keys were traditionally produced by specialists who differentiated themselves from locksmiths with hanging shop signs like the large gilded iron one shown here (German around 1750). A selection of cabinet, padlock and door keys from Europe, America and Asia contrasts with the plastic, magnetic striped ETC card which allows our customers direct access to their accounts.

Report of the Directors

To be presented to the shareholders of the Bank at the Ordinary Yearly General Meeting to be held in the City Hall, Hong Kong, on 10 May 1983.

The Directors have pleasure in submitting their Report with the Balance Sheet of the Bank at 31 December 1982 and Group Accounts for the year ended on that date.

Principal Activities
The Bank and its subsidiaries provide a comprehensive range of banking and related financial services through a network of more than 1,000 offices in 54 countries in Asia, Europe, the Middle East, Australasia and the Americas.

Profit
The consolidated profit of the Bank and its subsidiaries is shown on page 39, together with particulars of the appropriations therefrom which have been made or which are recommended.

Share Capital
During the year a bonus issue of 519,975,858 shares of HK$2.50 each was made by the capitalisation of HK$1,299,939,645 from the reserves of the Bank by a charge to the Share Premium Account.

Directors
The names of the Directors serving at the date of this Report are set out on page 2.

During the year P E Hutson and P G Williams retired and W Purves and T Welsh were appointed Directors.

Since the end of the year I H Macdonald has retired and A R Petrie has been appointed a Director.

J F Holmes, J L Marden and D K Newbigging retire by rotation at the forthcoming Ordinary Yearly General Meeting and, being eligible, offer themselves for re-election.

In accordance with Regulation 89(h) R W Hubner will also retire at that Meeting.

Donations
Donations made by the Bank and its subsidiaries during the year amounted to HK$14,217,000.

Substantial Interests in Share Capital
There are no substantial shareholdings in the share capital of the Bank.

Auditors
The accounts have been audited by Peat, Marwick, Mitchell & Co. and Price Waterhouse, who are eligible for reappointment.

On behalf of the Board
M G R Sandberg, *Chairman*

Hong Kong, 22 March 1983

The Hongkong and Shanghai Banking Corporation

Consolidated Profit and Loss Account for the year ended 31 December 1982

1981 HK$m		Note		1982 HK$m
2,346	**Net profit** of The Hongkong and Shanghai Banking Corporation and its subsidiary companies	3		**2,612**
243	Share of net profits of associated companies			**323**
2,589				**2,935**
473	**Deduct:** Profit attributable to minority interests in subsidiary companies			**578**
2,116	**Profit attributable to the shareholders of The Hongkong and Shanghai Banking Corporation**	4		**2,357**
	Deduct: Transfer to reserves			
200	*The Bank*		**200**	
388	*Subsidiary and associated companies*		**240**	
996	**Dividends paid and proposed**	5	**1,144**	**1,584**
532				**773**
154	Balance brought forward as previously stated		**621**	
444	Prior year adjustment	1b	**548**	**1,169**
39	Exchange adjustments			**86**
1,169	**Retained profits carried forward**	6		**2,028**
HK$1.07	**Earnings per share**	7		**HK$1.13**

The Hongkong and Shanghai Banking Corporation

1981 HK$m		Note	1982 HK$m	1982 £m	1982 US$m
3,899	**Share Capital**	8	**5,200**	*493*	*800*
1,562	**Share Premium Account**		**263**	*25*	*41*
7,517	**Reserve Fund**	9	**8,115**	*769*	*1,248*
1,169	**Retained profits**	6	**2,028**	*192*	*312*
14,147			**15,606**	*1,479*	*2,401*
3,209	**Minority interests in subsidiary companies**		**3,962**	*375*	*610*
1,808	**Long-term borrowings**	10	**3,186**	*302*	*490*
19,164			**22,754**	*2,156*	*3,501*
	Other liabilities				
8,634	**Hong Kong currency notes in circulation**	11	**9,884**	*937*	*1,521*
267,899	**Current, deposit and other accounts**	12	**335,479**	*31,790*	*51,612*
686	**Proposed dividend**		**770**	*73*	*118*
541	**Balance of drafts, remittances, etc. in transit between offices**		**573**	*54*	*88*
7,369	**Acceptances on behalf of customers**		**9,726**	*922*	*1,496*
HK$304,293			**HK$379,186**	*£35,932*	*US$58,336*

F R Frame, *Secretary*

Consolidated Balance Sheet at 31 December 1982

1981 HK$m		Note	1982 HK$m	1982 £m	1982 US$m
	Assets				
65,663	Cash and short-term funds	13	86,356	8,183	13,285
39,994	Time deposits with banks payable within twelve months		49,190	4,661	7,568
13,965	Trade bills discounted and bankers' certificates of deposit purchased		12,961	1,228	1,994
8,574	Hong Kong Government certificates of indebtedness	11	9,824	931	1,511
12,583	Investments	14	15,051	1,426	2,316
145,350	Advances to customers and other accounts		182,614	17,306	28,095
286,129			355,996	33,735	54,769
1,716	Investments in associated companies	16	2,163	205	333
8,595	Bank premises and other properties	17	10,610	1,005	1,632
484	Furniture and equipment	17	691	65	106
7,369	Liability of customers for acceptances		9,726	922	1,496
HK$304,293			HK$379,186	£35,932	US$58,336

Directors
M G R Sandberg
J F Holmes
Li Ka-shing

The Hongkong and Shanghai Banking Corporation

1981 HK$m		Note	1982 HK$m	1982 £m	1982 US$m
3,899	**Share Capital**	8	**5,200**	493	800
1,562	**Share Premium Account**		**263**	25	41
6,142	**Reserve Fund**	9	**6,342**	601	975
592	**Retained profits**	6	**1,055**	100	162
12,195			**12,860**	1,219	1,978
	Liabilities				
8,634	**Hong Kong currency notes in circulation**	11	**9,884**	937	1,521
103,333	**Current, deposit and other accounts**	12	**131,345**	12,446	20,207
9,216	**Amounts due to subsidiary companies**		**6,918**	656	1,065
686	**Proposed dividend**		**770**	73	118
313	**Balance of drafts, remittances, etc. in transit between offices**		**288**	27	44
1,035	**Acceptances on behalf of customers**		**1,451**	137	223
HK$135,412			**HK$163,516**	£15,495	US$25,156

F R Frame, *Secretary*

Balance Sheet
at 31 December 1982

1981 HK$m		Note	1982 HK$m	1982 £m	1982 US$m
	Assets				
38,336	**Cash and short-term funds**	13	**42,274**	4,006	6,504
18,763	**Time deposits with banks payable within twelve months**		**23,311**	2,209	3,586
6,275	**Trade bills discounted and bankers' certificates of deposit purchased**		**6,681**	633	1,028
8,574	**Hong Kong Government certificates of indebtedness**	11	**9,824**	931	1,511
1,351	**Investments**	14	**1,687**	160	260
41,372	**Advances to customers and other accounts**		**54,313**	5,146	8,355
14,390	**Amounts due from subsidiary companies**		**17,854**	1,692	2,747
129,061			**155,944**	14,777	23,991
4,693	**Investments in subsidiary companies**	15	**5,141**	488	791
124	**Investments in associated companies**	16	**202**	19	31
328	**Bank premises and other properties**	17	**533**	51	82
171	**Furniture and equipment**	17	**245**	23	38
1,035	**Liability of customers for acceptances**		**1,451**	137	223
HK$135,412			**HK$163,516**	£15,495	US$25,156

Directors
M G R Sandberg
J F Holmes
Li Ka-shing

1 Basis of consolidation

a The consolidated accounts comprise the accounts of The Hongkong and Shanghai Banking Corporation and all its subsidiary companies made up to 31 December (except in the case of Hongkong Bank of Canada whose accounts are made up to 31 October annually to comply with local regulations).

b The Group share of the earnings of major associated companies (see notes 2ei and 16) is included in the profit and loss account, based upon statutory or management accounts made up to dates not earlier than six months before the balance sheet date. This is a change in accounting policy as in previous years the results of associated companies were included in the Group accounts only to the extent of dividends received. The comparative figures for 1981 have been restated to reflect the change in policy with the effect that profit attributable to shareholders for the year ended 31 December 1981 has increased by HK$113 million.

2 Accounting policies

a *Doubtful debts*

Provision is made for doubtful debts as and when they are so considered and in addition amounts have been set aside as general provisions for doubtful debts. These provisions are deducted from advances to customers and other accounts.

b *Foreign currencies*

Foreign currency balances are principally translated into Hong Kong dollars at the rates ruling at the year-end.

c *Bank premises, other properties, furniture and equipment*

i Bank premises and other properties are stated at cost or valuation less depreciation calculated to write off the assets over their estimated useful lives.

The following principal depreciation rates are applied to land and buildings:

— Freehold land and land held on leases with more than 50 years to expiry is not depreciated.
— Land held on leases with 50 years or less to expiry is depreciated over the unexpired terms of the leases.
— Buildings and improvements thereto are depreciated at the higher of 2% per annum on a straight line basis or over the unexpired terms of the leases.

ii The cost of bank premises includes interest capitalised during the period of construction. Interest capitalised is based on the average cost of Group funding and on the direct cost of specific export finance.

iii Furniture and equipment are stated at cost less depreciation calculated on a straight line basis to write off the assets over their estimated useful lives, principally taken as 5 years.

d *Investments*

i Quoted equity investments other than in subsidiary and associated companies are stated at the lower of cost and market value.

ii Investments in securities redeemable at fixed dates and which are being held to maturity are stated at cost adjusted to give effect to amortisation of premiums and accretion of discounts on purchase over periods to redemption.

iii Undated securities and those held for short-term purposes are stated at the lower of cost and market value.

iv Other unquoted investments are stated at cost less amounts written off.

e *Associated companies*

i Associated companies within the Group are deemed to comprise those companies, not being subsidiary companies, where the Group is in a position to exercise significant influence and owns 20% or more of the equity capital.

ii Investments in major associated companies are stated in the consolidated balance sheet at cost less amounts written off plus the attributable Group share of retained profits and reserves. Other associated companies are stated at cost less amounts written off.

iii Investments in associated companies are stated in the Bank balance sheet at cost less amounts written off.

3 Net profit

The net profit for the year is shown after:

a Provision for taxation. The amount set aside for Hong Kong profits tax has been computed at a rate of 16.5% on profit for the year assessable in Hong Kong.

b Transfers to the credit of inner reserves. Changes in value of assets and differences arising from the revaluation of foreign currencies at the year-end have been adjusted in inner reserves.

c Directors' emoluments. The aggregate emoluments of the Directors of the Bank computed in accordance with section 161 of the Companies Ordinance amount to HK$26 million *(1981: HK$22 million)*, consisting of fees HK$1 million *(1981: HK$1 million)* and other emoluments HK$25 million *(1981: HK$21 million)*.

d Auditors' remuneration amounting to HK$26 million *(1981: HK$22 million)*, of which HK$7 million *(1981: HK$7 million)* relates to the Bank.

4 Profit attributable to the shareholders of the Bank

Of the Group profit attributable to the shareholders, HK$1,808 million *(1981: HK$1,633 million)* has been dealt with in the accounts of the Bank.

5 Dividends

	1982	1981	**1982**	1981
	HK$ per share		**HK$m**	HK$m
Interim	**0.18**	0.16	**374**	310
Proposed final	**0.37**	0.33	**770**	686
	0.55	0.49	**1,144**	996

The 1981 figures for dividends per share have been adjusted for the bonus issue made during the year.

6 Retained profits

The profit of the Group has been retained by:

	1982	1981
	HK$m	HK$m
The Bank	**1,055**	592
Subsidiary companies	**271**	29
Associated companies	**702**	548
	2,028	1,169

7 Earnings per share

The calculation of earnings per share is based on disclosed earnings of HK$2,357 million *(1981: HK$2,116 million)* and on 2,080 million *(1981: 1,971 million)* shares in issue during the year. Corresponding figures for 1981 have been adjusted to reflect the bonus issue of 1 for 3 made during the year.

8 Share capital

Authorised:
The authorised share capital of the Bank is HK$8,000 million *(1981: HK$8,000 million)* divided into 3,200 million ordinary shares of HK$2.50 each.
Issued:

	HK$m
At 1 January 1982	3,899
Bonus issue during the year	1,300
Balance of 1981 rights issue	1
At 31 December 1982	5,200

The bonus issue during the year represented a capitalisation of the Bank's reserves by a charge to the Share Premium Account.

9 Reserve fund

	Group HK$m	*Bank* HK$m	*Associated Companies* HK$m
At 1 January 1982	7,978	6,142	—
Prior year adjustment	(461)	—	102
	7,517	6,142	102
Exchange adjustments	78	—	71
Capitalisation of inner reserves	68	—	—
Transfer from retained profits	440	200	53
Other items	12	—	—
At 31 December 1982	8,115	6,342	226

The prior year adjustment represents the retained profits of major associated companies which were previously dealt with in the Reserve fund and are now reflected in the consolidated profit and loss account (see note 1b).

10 Long-term borrowings

Long-term borrowings comprise debentures, notes and mortgages of subsidiary companies with original maturity dates exceeding five years, repayable by instalments which fall due within the following periods:

	1982 HK$m	1981 HK$m
Within one year	32	47
Between one and five years	818	478
After five years	2,336	1,283
	3,186	1,808

The subsidiary companies with long-term borrowings are as follows:

	1982 HK$m	1981 HK$m
Marine Midland Banks, Inc.	3,051	1,754
Collyer Quay Properties Limited	77	—
Hongkong Bank of Canada	52	48
Concord International (Curaçao) NV	6	6
	3,186	1,808

Of the above, HK$1,143 million *(1981: HK$792 million)* is secured.

11 Hong Kong currency notes in circulation

	1982	1981
	HK$m	HK$m
Authorised note issue	60	60
Excess note issue	9,824	8,574
	9,884	8,634

The authorised note issue is secured by the deposit of investments having a market value of HK$64 million *(1981: HK$61 million)*. The excess note issue is secured by the deposit of funds in respect of which the Hong Kong Government certificates of indebtedness are held.

12 Current, deposit and other accounts

Included under this heading are inner reserves, taxation and other provisions. Certain liabilities of subsidiary companies totalling HK$8,269 million *(1981: HK$4,695 million)* shown under this heading or under guarantees (Note 19) are secured by the deposit of assets of the Group.

Also included are provisions for deferred taxation made by certain subsidiary companies amounting to HK$69 million *(1981: HK$68 million)*.

13 Cash and short-term funds

	Group		*Bank*	
	1982	1981	1982	1981
	HK$m	HK$m	HK$m	HK$m
Cash in hand and balances with other banks	26,326	11,939	3,235	3,429
Money at call and short notice	57,831	52,624	37,459	34,154
British and other government treasury bills	2,199	1,100	1,580	753
	86,356	65,663	42,274	38,336

Deposits required by overseas government regulations are included in the above figures as follows:

	Group		*Bank*	
	1982	1981	1982	1981
	HK$m	HK$m	HK$m	HK$m
Cash in hand and balances with other banks	3,625	2,047	928	699
British and other government treasury bills	340	295	139	121
	3,965	2,342	1,067	820

14 Investments

	Group		Bank	
	1982	1981	**1982**	1981
	HK$m	HK$m	**HK$m**	HK$m
a *Quoted*				
— In Hong Kong	**2,383**	2,378	**507**	474
— Outside Hong Kong	**10,911**	9,309	**905**	677
	13,294	11,687	**1,412**	1,151
b *Unquoted*	**1,757**	896	**275**	200
	15,051	12,583	**1,687**	1,351

15 Subsidiary companies

a The Bank's investments in major banking and finance subsidiary companies, or their holding companies, are stated at a valuation based on their attributable net asset values. Other subsidiary companies are stated at cost less provisions.

b The attributable net asset values of the major banking and finance subsidiary companies at the year-end are as follows:

	1982	1981
	HK$m	HK$m
Marine Midland Banks, Inc.	**2,952**	2,398
Hang Seng Bank Limited	**1,368**	1,117
Wardley Limited	**999**	931
The British Bank of the Middle East	**879**	873
Wayfoong Finance Limited	**489**	487
Mercantile Bank Limited	**97**	110
Antony Gibbs Holdings Limited	**97**	81

c The principal subsidiary companies of the Bank are:

	Country of incorporation	*Principal area of operation*
Hongkong Bank of Canada	Canada	Canada
Hang Seng Bank Limited (61.48%)	Hong Kong	Hong Kong
Wardley Limited*	Hong Kong	Asia/Pacific
Wayfoong Finance Limited	Hong Kong	Hong Kong
Fort Hall Limited*	Hong Kong	Hong Kong
Mortgage And Finance (Malaysia) Berhad	Malaysia	Malaysia
Concord International (Curaçao) NV (64.95%)	Netherlands Antilles	Europe
Wayfoong Mortgage And Finance (Singapore) Ltd	Singapore	Singapore
Antony Gibbs Holdings Limited*	United Kingdom	United Kingdom
Mercantile Bank Limited	United Kingdom	India
The British Bank of the Middle East	United Kingdom	Middle East
TKM International (Holdings) Limited*	United Kingdom	Worldwide
Marine Midland Banks, Inc. (51.05%)*	USA	USA

*Held indirectly.

Except where indicated, the above companies are wholly owned by the Bank.

The activities of the above subsidiary companies are noted on page 52.

d The distribution by way of dividend to the parent company of the retained profits of certain subsidiary companies would give rise to additional tax liabilities.

16 Associated companies

	Group		Bank	
	1982	1981	**1982**	1981
	HK$m	HK$m	**HK$m**	HK$m
Quoted in Hong Kong	**56**	13	**56**	13
Unquoted	**1,179**	1,053	**146**	111
Group share of retained profits and reserves	**928**	650	—	—
	2,163	1,716	**202**	124

The major associated companies of the Group are:

	Country of incorporation	*Group interest in equity capital*
World Finance International Limited	Bermuda	37.50%
World Maritime Limited	Bermuda	50.00%
World Shipping and Investment Co. Limited	Cayman Islands	45.00%
Cathay Pacific Airways Limited	Hong Kong	29.41%
South China Morning Post Limited	Hong Kong	48.76%
The Saudi British Bank	Saudi Arabia	40.00%

The activities of the above associated companies are noted on page 52.

17 Bank premises, other properties, furniture and equipment

	Group		Bank	
	Bank premises and other properties	*Furniture and equipment*	*Bank premises and other properties*	*Furniture and equipment*
	HK$m	**HK$m**	**HK$m**	**HK$m**
Cost or valuation at 1 January 1982	**9,263**	**1,274**	**454**	**458**
Exchange adjustments	**178**	**108**	**23**	**20**
Additions	**2,111**	**394**	**235**	**146**
Disposals	**(99)**	**(93)**	**(4)**	**(34)**
	11,453	**1,683**	**708**	**590**
Accumulated depreciation	**(843)**	**(992)**	**(175)**	**(345)**
Net book value at 31 December 1982	**10,610**	**691**	**533**	**245**
Net book value at 31 December 1981	8,595	484	328	171

Included in additions to bank premises is capitalised interest amounting to HK$65 million *(1981: Nil)*.

The balance sheet value of bank premises and other properties comprises:

	Group		Bank	
	1982	1981	**1982**	1981
	HK$m	HK$m	**HK$m**	HK$m
Freeholds	**741**	562	**237**	120
Leaseholds 50 years and over unexpired	**8,606**	6,989	**54**	48
Leaseholds less than 50 years unexpired	**1,263**	1,044	**242**	160
	10,610	8,595	**533**	328

18 Capital commitments

	Group		*Bank*	
	1982	1981	**1982**	1981
	HK$m	HK$m	**HK$m**	HK$m
Expenditure contracted for	**4,160**	1,854	**223**	38
Expenditure authorised by directors but not contracted for	**1,543**	1,482	**48**	534
	5,703	3,336	**271**	572

19 Contingent liabilities

	Group		*Bank*	
	1982	1981	**1982**	1981
	HK$m	HK$m	**HK$m**	HK$m
Uncalled capital	**81**	148	**42**	70
Engagements on behalf of customers:				
Confirmed credits, guarantees and endorsements	**44,730**	38,040	**19,766**	18,188

The Bank has guaranteed a minimum return to the members of The Hongkong Bank Central Provident Fund Scheme in respect of their balances with the Fund which at 31 December 1982 amount to HK$628 million *(1981: HK$439 million)*.

There are also commitments in respect of forward foreign exchange contracts.

20 Significant changes in Group structure reflected in these accounts

On 26 October 1982 the Group acquired an 80% shareholding in the international trading and finance division of Tozer Kemsley & Millbourn (Holdings) plc for a consideration of approximately £19 million. On 31 December 1982 the Group purchased the remaining 20% for a further consideration of £5 million.

21 Comparative figures

Certain comparative figures have been restated in order to conform to the current year's presentation.

Report of the Auditors to the members of The Hongkong and Shanghai Banking Corporation

In our opinion, based on our examination and on the reports of other auditors on the accounts of certain subsidiary companies not audited by us, the accounts set out on pages 39 to 50 comply with the provisions of the Companies Ordinance applicable to banking companies and, on this basis, give a true and fair view of the state of affairs of the Bank and of the Group at 31 December 1982 and of the profit of the Group for the year ended on that date.

Peat, Marwick, Mitchell & Co.
Price Waterhouse
Certified Public Accountants

Hong Kong, 22 March 1983

The Hongkong and Shanghai Banking Corporation

Principal Subsidiary and Associated Companies

Subsidiary Companies

Banking
British Bank of the Middle East, The
Hang Seng Bank Limited
Hongkong and Shanghai Banking Corporation (CI) Ltd, The
Hongkong Bank of Canada
Marine Midland Banks, Inc.
Mercantile Bank Ltd

Merchant Banking
Antony Gibbs Holdings Ltd
Equator Bank Ltd
Wardley Ltd
Wardley Australia Ltd
Wardley Middle East Ltd
Wardley Thailand Ltd

Finance & Investment
Fort Hall Ltd (formerly Wayhong Investment Ltd)
HSBC Holdings BV
MetWay Ltd
Middle East Finance Co Ltd
Mortgage And Finance Ltd
Mortgage And Finance (Malaysia) Bhd
TKM International (Holdings) Ltd
Wayfoong Credit Ltd
Wayfoong Finance Ltd
Wayfoong Mortgage And Finance (Singapore) Ltd

Investment Management
Wardley International Management Ltd
Wardley Investment Services Ltd
Wardley Marine International Investment Management Ltd
Hong Kong Unit Trust Managers Ltd

Insurance Services
Carlingford Australia Insurance Company Ltd
Carlingford Insurance Company Ltd
Gibbs Insurance Consultants Ltd
Gibbs Sage Ltd
Middle East Insurance Holdings Ltd

Company Data Information
Wardley Data Services Ltd

Leasing
Concord International (Curaçao) NV

Trustee Services
Trustee companies of the Bank are located in Hong Kong, Gibraltar, India, Channel Islands, Malaysia, Singapore, United Kingdom.

Nominee Services
Nominee companies of the Bank are located in Hong Kong, Channel Islands, Malaysia, Singapore, United Kingdom.

Associated Companies

Banking
Hongkong Egyptian Bank SAE
International Commercial Bank PLC
Saudi British Bank, The

Merchant Banking
Korea International Merchant Bank
UDA Merchant Bankers Bhd

Finance & Investment
FortWay Finance Ltd
NZI Financial Corporation Ltd
State Investment House, Inc.

Investment Management
Wardley Nikko Management Ltd

Insurance Services
Al Sagr Insurance Company of Saudi Arabia Ltd
Al Sagr Insurance Company UAE Ltd
Carlingford Swire Assurance Ltd
Citadel Insurance Company Ltd
East Point Reinsurance Management Company of Hong Kong Ltd
Mico Equities Inc.

Corporate Management Services
Acceptor Enterprises Ltd

Travellers Cheques
Hong Kong and Shanghai Thomas Cook Ltd

Bullion Dealing
Sharps Pixley Wardley Ltd

Company Data Information
Dun and Bradstreet (HK) Ltd

Airlines
Cathay Pacific Airways Ltd

Shipping
World Finance International Ltd
World Maritime Ltd
World Shipping and Investment Co. Ltd

Printing and Publishing
South China Morning Post Ltd

Registrars
Central Registration Hong Kong Ltd

Printed in Hong Kong by Toppan Printing Company (HK) Ltd.
Filmset by Asia Trade Typesetting Limited.

Cover : an 'arresting' lock produced in France around 1780. Any attempt to tamper with the mechanism without using the proper key will cause the lion's jaws to clamp over the miscreant's wrist. The Identimat system shown in the inset is a contemporary version employing a combination hand scanner and identity card to control access to restricted areas. An elaborately shaped and intricately chased padlock from Bavaria *c.*1550 decorates the back cover.

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